Austria	Sch. 28	Indonesia	Rp 3100	Philippines	Pes. 28
Bahrain	Din 0.650	Israel	IS 3.50	Portugal	Esc 100
Belgium	BFr 45	Italy	L 1600	S Arabia	Rls 6.00
Canada	C$1.00	Japan	Y600	Singapore	S$ 4.10
Cyprus	C£0 75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 9.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.50	Lebanon	£L 25.00	Sweden	Skr 8.00
Finland	Fmk 7.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.50	Malaysia	Rm 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,131 Monday January 12 1987 D 8523 B

Unions set their sights on IBM, Page 7

Business summary

S African reporting curbs challenged

South Africa's two main English language press groups are to challenge the latest blanket restrictions on reporting of banned organisations such as the African National Congress (ANC).

South African Associated Newspapers and the Argus Group have submitted an urgent application to the Rand Supreme Court, expected to be heard on Wednesday, arguing that the restrictions exceed the powers given to the Commissioner of Police under the emergency regulations.

The restrictions followed publication of an advertisement issued by three major anti-apartheid organisations calling for the unbanning of the ANC. Page 2

Chad warning

France's most senior military officer, Army Chief of Staff Gen Jean Saulnier, opened the possibility of new French strikes in Libyan-held northern Chad, saying the strategic "red line" dividing the central African country was not frozen.

Hussein in France

King Hussein of Jordan begins a three-day state visit to France today during which he is expected to discuss European funding for his plans to channel development aid to the Israeli-occupied Arab territories.

Threat to guerrillas

Shia Moslem Amal militia leader Nabih Berry threatened to step up military action against Palestinian guerrillas loyal to Yasser Arafat and said Arab League mediation would not end refugee camp battles in Lebanon. Page 2

UN soldier dies

The commander of the United Nations Interim Force in Lebanon (Unifil) said Israeli tank fire killed an Irish UN peacekeeping soldier in south Lebanon. Corporal Dermot McGloughlin, 33, was the 21st Irish soldier to die in Lebanon.

Kohl extends lead

Chancellor Helmut Kohl's centre-right coalition lead the Social Democrats by 55.5 per cent to 36.5 in the run-up to West Germany's general elections on January 25, according to an opinion poll. A week before, the figures were 47.5 to 38.

Polish protest

Polish police detained six Italian activists protesting in Warsaw against an official visit to Italy by Polish Communist leader Wojciech Jaruzelski, witnesses said. Two news photographers, an Italian and an American, were also detained. Page 4

Three killed by mine

Three people were killed and 11 injured in north-west Pakistan when the vehicle in which they were travelling was destroyed by a landmine near the Afghan border.

Prison revolt

A prison revolt in eastern Belgium ended without bloodshed when a special police commando unit overpowered convicts who had held six warders hostage for several hours following an attempted Escape by three prisoners.

Hiroshima's lessons

Soviet doctors helping victims of the Chernobyl nuclear accident flew to Japan to study methods used to treat people affected by the Hiroshima and Nagasaki atom bombs in the Second World War.

Killer cold

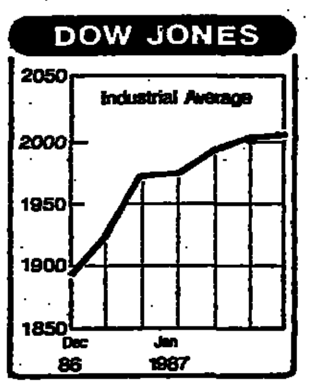
Forty-eight people died in the Soviet Union in fires caused mainly by defective heaters in what is the country's coldest January since 1950. Record low temperatures were reported in parts of Europe, with the Swedish army called out to reach thousands of isolated homes.

Airbus may win C$1bn order

WARDAIR, Canadian charter airline which is moving into the domestic scheduled services, is negotiating to buy up to 12 Airbus A300 and A310 aircraft in a deal that could be worth about C$1bn (US$729m).

An agreement was expected to be announced in Ottawa later this week by Mr Jacques Chirac, the French Prime Minister, and Mr Brian Mulroney, his Canadian counterpart but Mr Chirac's visit has been postponed because of the industrial troubles in France.

DOW JONES



DOW JONES Industrial average hit new highs on five days in a row last week, passing the 2,000 mark for the first time to end at 2,005.91. The week's volume was almost 1bn shares. Wall Street week, Page 16

ENI, Italian state energy holding group, is to go ahead with the disposal of Lanerrossi, textile and clothing company, in a deal which could be one of its largest privatisation sales to date. Page 17

MICHELIN, French tyre group, is teaming up with Wuon Poong, third largest South Korean tyre-maker, in a joint tyre production venture in South Korea. Page 20

E.F. HUTTON, Wall Street broker-age firm, agreed to sell its profitable insurance operations and said it expected to report a substantial loss for 1986 because of the need to protect clients from losses on some of its products. Page 20.

PERRIER UK, a subsidiary of Source Perrier French mineral water company, said it had bought Buxton Mineral Water from Britvic Corona, UK soft drinks maker. Page 6

BRAZILIAN mission arrives in Washington today to open exploratory talks on new money loans from commercial banks and the international institutions of up to $4bn. Page 4

POCLAIN, troubled French mechanical digger group, is to slim down its operations to back up the financial restructuring it announced last month. Page 20

COCA-COLA is to go on sale in the Soviet Union in May, under an agreement by which the US beverage company will promote the sale of Soviet-made Lada cars in the US.

OIL STOCKS were sharply depleted in the fourth quarter of 1986 after building up rapidly for most of the year, the International Energy Agency said in Paris. Page 4

AUDITORS should be responsible for identifying significant fraud, European company finance directors said in a poll. Their US and UK counterparts disagreed. Page 4

WORLD MINING industry is set for average profit rises of nearly 60 per cent in 1987, despite the continuing sharp decline in base metal prices, according to a London stockbroker. Page 20

GROUP LOTUS is to announce today that it has bought control of its US distribution network as part of a strategy under which it intends to be selling 3,000 cars a year in the US by 1992. Page 5

UK TREASURY Ministers began their first budget strategy session amid rising expectations in Whitehall and the City of London that Mr Nigel Lawson, Chancellor of the Exchequer, would have scope for a major reduction in income taxes. Page 7

EEC finance heads near agreement on EMS realignment

BY QUENTIN PEEL IN BRUSSELS

AGREEMENT appeared to be close last night on a 3 per cent revaluation of the D-Mark and the Dutch guilder within the European Monetary System (EMS), but EEC finance ministers were bogged down on possible parity changes for other currencies.

Negotiations looked set to last late into the night after Belgium, Luxembourg and Denmark all sought smaller revaluations to compensate for the D-Mark move, in the face of strong objections from France and Italy.

The emergency meeting was summoned in the wake of last week's turmoil in the European currency markets, when the French franc fell to its lowest permitted level in the EMS, while the D-Mark was the object of massive buying pressure.

Nine hours of negotiations between senior central bankers and Treasury officials in the EEC monetary committee failed to resolve the crisis on Saturday, leaving the ministers to find a solution before the markets reopen today.

Broad agreements emerged from the monetary committee on the need for a 3 per cent revaluation of the D-Mark and the guilder in response to the market pressures. But Mr Edouard Balladur, the French Finance Minister, was determined that the French franc should maintain its parity against the other currencies in the exchange rate mechanism of the EMS.

The mechanism links eight of the EEC currencies – all except those of the UK, Spain, Greece and Portugal – by fixing a central rate for each currency against the rest. It also sets limits on how far they can deviate up or down from those central rates.

France, and to a lesser extent Italy, have been keen to pin responsibility for the recent strains in the EMS firmly on the strong currencies of West Germany and the Netherlands, although recent speculation against the franc has also been precipitated by the series of strikes in French public services.

Subsequent demands by Belgium, Luxembourg and Denmark, for a revaluation of around 1 to 1½ per cent of their currencies, would have left the franc, the lira and the Irish punt isolated as the weakest members of the system. The smaller member states justified their demands on the basis of the import cost of the West German revaluation, and the state of their own economies.

A new problem also loomed in the negotiations last night, over the effects on agricultural trade between the EEC member states of any realignments, which might hit the competitiveness of West German farmers only days before the country's national elections.

Under a community agreement in 1984, West German farm prices will not be affected, but normally other member states could expect their currency changes to be translated into price increases. The costs of financing this will make as yet unquantifiable extra demand on the EEC farm budget and could affect negotiations over farm prices due to begin in the coming weeks.

Officials on the fringes of the highly secretive talks suggested last night that France and Italy could possibly accept some increase in the value of the Belgian and Luxembourg francs, to soften the inflationary impact of the Dutch and West German currency moves. They drew the line, however, at any change in the parity of the relatively-weak Danish krone, and above all at a last-minute suggestion that even the Irish punt should move up.

The realignment would be the 11th in the eight-year history of the EMS, and one of the smallest in terms of the central relationship between the D-Mark and the French franc – in spite of the recent massive speculative pressure in the cur-

Continued on Page 16

Saunders goes after clash with directors

BY CLIVE WOLMAN

MR ERNEST SAUNDERS was forced to step down as chairman and chief executive of Guinness, the drinks company, because of a confrontation on Friday with his fellow executive directors, whom he had originally recruited, it emerged yesterday.

The other directors demanded his immediate resignation when they received evidence that he had been intimately involved in a large-scale and illicit use of Guinness company money to boost the Guinness share price during and after its take-over battle for Distillers last April.

Mr Saunders, who previously claimed that if he were forced to resign by the independent non-executive directors most of his fellow executives would go with him, argued vehemently against their demands.

Eventually he agreed to a compromise by which he announced that he was stepping aside, on his own initiative, only for the duration of the investigation launched six weeks ago by the UK's Department of Trade and Industry (DTI). This means that he will continue to draw his salary, of £375,000 a year, until it is stopped by a decision of the board.

The giving of financial assistance by a company for the purchase of its own shares is a criminal breach of the Companies Act. The latest evidence, which has been given to the DTI inspectors, could lead ultimately to the prosecution of Mr Saunders and his finance director, Mr Oliver Roux, who is also expected to resign.

Last night the Guinness board met and established an executive committee consisting of the three group managing directors – Mr Victor Steel, Mr Brian Baldock, and Mr Shaun Dowling – reporting to the board which will be chaired for the time being by Sir Norman Macfarlane, formerly chairman of the non-executive directors.

The executive committee said: "The principal management task now facing Guinness is to capitalise on the substantial progress which has already been made and further to continue the various development programmes of the company. There is no question but that we have available to us in depth the management resources and talent required to succeed in this endeavour."

The pressure on Mr Saunders has been mounting steadily over the last 3½ weeks, since the company first admitted that it had invested $100m in the partnership managed by Mr Ivan Boesky, the New York arbitrageur who has confessed to large-scale insider dealing.

Shortly before Christmas, the Bank of England executive director, Mr David Walker, who is responsible for City of London and industrial affairs, approached the five independent directors to discuss Mr Saunders' position.

He also had conversations with some of the large institutional investors in Guinness. The largest shareholdings, of about 5 per cent each, are owned by Prudential Portfolio Managers, the insurance company subsidiary, and Warburg Investment Management, which has played a more passive role.

The other investment managers with large shareholdings which also became involved in the discussions included the Norwich Union insurance company, the British Coal pen-

Continued on Page 16

After Ernest Saunders, Page 15; Lex, Page 16

Bond buys stake in HK group

BY DAVID DODWELL IN HONG KONG

AUSTRALIAN entrepreneur Mr Alan Bond has agreed to buy a 23.7 per cent holding in HK-TVB, Hong Kong's leading television company controlled by Sir Run Run Shaw, the film maker. The deal was seen in Hong Kong yesterday as a prelude to Mr Bond acquiring full control of the group.

The stake belongs to Sir Run Run personally, and trusts related to him. Bond International, the newly floated Hong Kong group that is to act as the vehicle for Mr Bond's expansion in the region, is to pay HK$14 a share, which values HK-TVB at HK$5.88bn (US$755m). The 23.7 per cent stake will cost Bond International just under HK$1.4bn.

The acquisition comes only days after trading began in Hong Kong in Mr Bond's newly listed company, Bond International. Investor enthusiasm over Bond International, amounting almost to hysteria, has hoisted the new group's shares from an issue price of HK$1.18 to a suspension price of HK$3.85.

Dealings were suspended on Friday in the shares of Bond International, HK-TVB (at HK$11.50) and Shaw Brothers (at HK$4.55), the media group controlled by Sir Run Run that has a 20 per cent stake in HK-TVB. Dealings are expected to resume at the start of stock market trading tomorrow.

Parties closely involved with the last stages of the bid talks had said on Friday that Bond International intended to make a full offer for HK-TVB, and that Sir Run Run's personal holdings would not be sold.

A meeting on Friday of the Shaw Brothers board had before it a number of alternative proposals by which Mr Bond would acquire their 20 per cent stake in HK-TVB. It is still unclear why only Sir Run Run's stake was sold to Mr Bond, though a number of Shaw Brothers board members were understood to have been concerned that a deal was close to being finalised without them being consulted.

The eventual announcement suggests significant last-minute changes which neither party was willing to comment on yesterday. Mr Simon Farrell, Mr Bond's executive assistant, commened: "Mr Bond thinks he has made a very good investment, and what happens in the future remains to be seen."

Following the deal, Mr Bond and one of his executives will be given non-executive directorships of HK-TVB. He has promised that there will be no changes in the executive management of the group following the purchase.

The deal is to be financed by a short-term bank loan that will in due course be refinanced by a HK$1bn rights issue in new Bond International shares.

Iran set to open new front in war with Iraq

By Richard Johns in London

IRAN is likely to throw its forces into battle against Iraq in another sector along the 730-mile military front in the next few days following its thrust across the Shatt al Arab waterway south-east of Basrah, well informed Western diplomats believe.

Satellite pictures are said to show a heavy Iranian build-up near the border town of Qasr e Shirin about 130 miles to the north-east of Baghdad, the Iraqi capital, they said at the weekend. The big attack launched three days ago could be a major feint aimed at pinning down as many Iraqi forces as possible for the opening up of a second front.

Analysts are still divided, however, as to whether the latest flare-up in the Gulf conflict, now well into its seventh year, marks the beginning of the long-awaited grand offensive aimed at making the present Iranian year (ending March 20) the "decisive year" promised by Ayatollah Khomeini and the revolutionary leadership in Tehran.

For the first time in the war Iraq claimed to have bombed Qom, the city where Ayatollah Khomeini lives, with raids on Saturday and Sunday. At the same time an Iraqi military spokesman reported that a number of civilians had been killed by a missile strike on Baghdad. Tehran Radio said that three "Oghab" (Eagle) missiles – believed to Soviet-made Skud Bs – had been fired at military and economic targets in Basrah.

Conflicting war communiques issued in Tehran and Baghdad showed at least that a major escalation of the conflict is under way and indicated clearly that Iranian forces yesterday retained a foothold on the west bank of the Shatt al Arab in the Shalameheh area about 35 miles south-west of Basrah.

The Islamic Republic news agency in Tehran claimed that they had crossed the "Fish Lake" – the barrier to an Iranian advance created by the Iraqis in 1982 – before dawn on Friday and had beaten off two major counter-attacks. It claimed that they were advancing.

Baghdad Radio said that Iraq's Third Army Corps, backed by units of the Presidential Guard, were "tightening the noose" around the invading troops which, it acknowledged, had taken "two important positions".

The official Iraqi news agency quoted a staff officer as saying that Iranian troops were confined to an area of about four square miles.

Israel to answer questions, Page 2; In search of 'Irangate' truth, Page 3

Argentina says $1.2bn IMF loan agreed

BY TIM COONE IN BUENOS AIRES AND STEWART FLEMING, IN WASHINGTON

ARGENTINA has succeeded in finalising negotiations with the International Monetary Fund (IMF) for a new $1.2bn standby loan, according to Mr Mario Brodersohn, the Argentine Finance Minister.

He gave no further details but told reporters in Buenos Aires late on Friday that the official announcement would be made simultaneously in Washington and the Argentine capital early this week.

In Washington monetary officials confirmed that negotiations between the IMF and Argentina were moving ahead rapidly. They added that the Argentine Government was expected to submit a letter of intent on its economic policies which was likely to be acceptable to the fund.

The Argentine decision to seek IMF finance is seen in Washington as an indication of the Government's concern about the economic outlook for the country and as an expression of its willingness to work with the international financial community to try to deal with the problems looming ahead.

A new IMF agreement with Argentina will be welcomed in Washington because of mounting concern about the outlook for Third World debtors, especially Brazil but also Mexico whose bankers have not yet finalised a new lending package.

However it is pointed out that whereas Brazil has been, and remains, reluctant to enter into agreements with the fund on its economic policies, this has not been the case with Argentina.

Therefore the IMF agreement with Argentina will be closely scrutinised to see whether, as in the case of Mexico, there are any indications of increased flexibility by the IMF in terms of what it sees as acceptable economic policies.

There will be particular interest to see whether Argentina has succeeded in obtaining two key "trigger" clauses in the agreement. These would increase IMF support during the coming year if Argentina's growth target of 4 per cent cannot be met, or if export earnings suffer a further fall because of deteriorating international prices for wheat and beef, Argentina's two main exports.

While Mr Brodersohn did not go into the agreement with the fund he did give details of Argentina's 1987 budget targets agreed with the IMF. These include a reduction in the Government fiscal deficit to 2.5 per cent of gross national product.

He said savings of australes 320m ($252m) will be made by reducing subsidies to state-owned companies and a further australes 320m will be realised through reductions in interest rates and foreign debt.

Contacts with UK, Page 3; Brazil in loan talks, Page 4

French strike wave begins to subside

BY DAVID HOUSEGO IN PARIS

THE wave of public sector strikes in France began to subside at the weekend with a new wage agreement in the electricity industry and an accelerating return to work on the French railways.

Disruption of transport services, however, still remained sufficiently widespread for political parties of the right to have organised demonstrations in a large number of towns over the weekend. A bigger demonstration, organised by Prime Minister Jacques Chirac's neo-Gaullist party, is planned in Paris today to express the frustration of the "silent majority" against disruption caused by the strikes.

At the same time the Communist-led CGT union has called on its members in public administration to go on strike today in support of wage claims. The teachers' union is considering similar action for later in the week. The Paris metro (underground) remains hit by strikes.

None the less, ministers expressed optimism that the worst was over. Mr Alain Juppe, the Minister for the Budget and government spokesman, said that the strikes were "winding down" and that the conflicts in the public sector would move towards solution by "Monday or Tuesday at the latest."

An important factor in modifying the attitudes of unions and rank and file, as union leaders conceded yesterday, has undoubtedly been the growing antagonism of public opinion.

In the electricity sector, all the major unions, apart from the CGT, have in principle accepted the modified pay offer put forward by EdF, the national electricity authority, late on Friday night.

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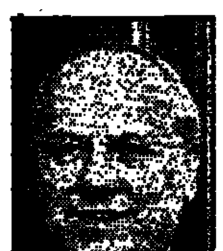

THE MONDAY PAGE

INTERVIEW

Tony Jackson talks to Denys Henderson of ICI Page 8

OVERSEAS NEWS

China sacks information chief as purge continues

BY ROBERT THOMSON IN PEKING

THE OFFICIAL crackdown on Chinese liberals continued yesterday with the sacking of the Communist Party information director and an attack by conservative party members on the newly-appointed Culture Minister, Mr Wang Meng.

The sacking was part of a big shake-up of the Propaganda Department. It was reported by a pro-Communist newspaper in Hong Kong and is further evidence that a major attack on bourgeois liberalism is gathering pace with the apparent backing of Deng Xiaoping, paramount leader, in the wake of a month of demonstrations by university students demanding more freedom and democracy.

Party leaders have been particularly critical in recent days of the mishandling of ideological information and of the inability of the party to control "bourgeois" influence, so diplomats suspected that the Propaganda Department would be a prime candidate for an overhaul.

The Wen Wei Po newspaper reported that Zhong Peizhang had been replaced as Information Director by Wang Furu, formerly his deputy, and that two new deputy directors have been appointed.

It is understood the head of the Propaganda Department, Zhu Houze, who has been in the job for only a year, is also in grave dangers of losing his post.

Conservative Chinese officials, who have been leading the charge against "bourgeois liberalism" are particularly strong in the propaganda field, and the man Mr Zhu replaced, Deng Liqun, is still one of the most powerful and active of the conservatives in the Chinese leadership.

The attack on the Culture Minister, Wang Meng, is significant. He has actively encouraged Chinese writers to speak their minds and in recent statements has emphasised the licence the Party has given to artists in general.

However, a thrust of the conservative drive aganst "bourgeois liberals" has been that no artist or academic is above the rule of the party.

Diplomats have little doubt that Mr Wang, a writer, will retain his post, as the leadership is certainly reluctant to allow a senior official to fall and has limited the present campaign to academics, artists and a few errant party members.

While the Chinese leader, Deng Xiaoping, has reportedly warned that "big shots" will lose their positions, diplomats generally believe that he will draw the line well below ministerial level.

Professor Fang Lizhi, vice-president of Anhui Science and Technology University, was reported by several sources to have been expelled from the party, though here has been no official confirmation of his alleged expulsion.

Prof Fang, said by university officials to be staying in Peking, has been an outspoken advocate of academic freedom and was regarded as a hero by protesting students in recent weeks.

He was attacked in a tough editorial yesterday in the Guanming Daily, which condemned a "certain vice-president of a university" for supporting the wholesale importation of Western ways. The paper said he was one of several people to assert that "capitalism is superior to socialism."

The paper said the "total Westernisation" advocated by a few wayward people means the abandonment of socialism, but stressed that China would continue to "actively introduce scientific and technical know-how and useful culture from the West."

The commentary made clear that the Government was pushing ahead with reform, and even portrayed Prof Fang as a threat to reform.

Diplomats say the campaign against "bourgeois liberals" is similar to the "spiritual pollution" campaign of late 1983 which attacked people for "polluting" Chinese minds.

Italian party seeks alliance

By John Wyles in Rome

THE LEADER of Italy's small Social Democratic Party made a courageous attempt at the weekend to forge a new alliance with the more powerful Socialist Party but managed to upset most of the country's other political leaders without greatly advancing his own cause.

In a three-hour address to his party's congress, Mr Franco Nicolazzi tried to seize the political initiative from Mr Bettino Craxi, the Prime Minister and Socialist Party leader, by proposing "a reformist alternative" through which the two parties would aim to wrest decisive control of the Italian government away from the Christian Democrats.

The fear that drives Mr Nicolazzi is that the Socialists will reap such a rich harvest from Mr Craxi's successful premiership of the last three and a half years that the Social Democrats will be swept to oblivion at the next elections due in 1988. In the 1983 elections, the Social Democrats won only 4 per cent of the vote, but they are nevertheless part of the governing coalition.

Setting the target of a combined 20 per cent share of the vote at the next elections, compared with 15 per cent in 1983, Mr Nicolazzi called on the two parties to frame a common electoral platform.

He said they should make their participation in a new government dependent on the Christian Democrats' accepting this platform and should demand ministries that would be crucial to carrying out their policies.

In the course of his speech, Mr Nicolazzi accused the Christian Democrats of being unable to transform Italy into a modern state because of their conservatism and indulgence of favours and privilege.

The Republicans were also attacked, and the opposition Communist Party written out of a part in the new alliance on the grounds of Marxist dogma.

Mr Ciriaco de Mita, the Christian Democrat leader, reacted by calling the speech "a stupidity."

Mr Craxi's judgment, however, remains suspended. He promised Mr Nicolazzi's proposals would be thoroughly examined but he is also toying with the idea of organising a broader front involving the Radicals, the Republicans and the Liberals to try to deny the Christian Democrats real power.

S African press curbs challenged

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S two main English-language press groups, South African Associated Newspapers (Saan) and the Argus Group, have decided to challenge in the Supreme Court the latest blanket restrictions on reporting about banned organisations such as the African National Congress (ANC). Their application is expected to be heard by the rand supreme court on Wednesday. They argue that the restrictions, which carry a R20,000 (£2,900) fine or ten years in jail, exceed the powers given to the Commissioner of Police under the emergency regulations and are both vague and extend beyond the bounds of what was reasonable or necessary.

The new restrictions, published in the Official Gazette at midnight on Thursday, followed publication of an advertisement issued by three leading anti-apartheid organisations calling for the unbanning of the ANC.

In a further crackdown on opposition to the Government an order in the Official Gazette published at midnight on Friday banned any gathering organised or convened at a school or hostel by the National Education Crisis Committee (NECC). It appears to be aimed at crushing all attempts to develop an

Shultz: "self-imposed isolation"

alternative system of "people's education." Most of the NECC executive has already been detained under the emergency reglations.

Mr Rex Gibson, acting-editor of the Argus Group's Star newspaper published in Johannesburg, said the banned organisation restriction orders made unwarranted inroads into the public's right to be informed.

According to the newspaper's legal advisors an article on the history of the ANC published on Thursday, before the restrictions, could not be published a day later in the paper's weekly airmail edition. In his supporting affidavit Mr Gibson commented "when Wednesday's news becomes Friday's subversion it is no longer possible for a conscientious editor to apply intelligent judgment to what he may publish."

The decision to expel Mr Alan Cowell, the New York Times correspondent, or not to issue a work permit for his designated successor, Mr Serge Schmeman, was condemned by Mr George Shultz, the US Secretary of State, as another example of South Africa's self-imposed isolation.

Mr Shultz is currently on a tour of black Africa and is due to meet Mr Oliver Tambo, the ANC president, in Washington later this month.

Tomorrow another US correspondent, Mr Michael Parks of the Los Angeles Times, accompanied by his foreign editor, is due to meet Mr Stoffel Botha, the Minister of Home Affairs, to appeal against an earlier ruling that he too must leave the country.

Elsewhere eight black miners were killed and 53 injured over the weekend in "faction fighting" between rival groups of immigrant workers at the Beatrix Gold mine in the Orange Free State managed by Gencor.

The fighting, quelled by mine security forces, is the latest in a spate of "faction fighting" on gold mines in which over 60 miners were killed last year.

Barclays Bank confirmed that it has had talks with the African National Congress, the outlawed South African political grouping, Our Financial Staff writes.

However, it denied a press report that these were linked to its recent withdrawal from South Africa, announced on November 24, or its desire to protect its £766m loan exposure to the republic.

The bank said yesterday that the last meeting took place last July. It also said that Barclays' loans to South Africa were subject to the same 18-month old repayment moratorium as loans by other banks.

A meeting took place with the ANC in Lusaka in 1985 and other contacts had been made in London with Mr Oliver Tambo, the head of the ANC, it said.

Berri warns Palestinians to withdraw

MR NABIH BERRI, the Shia Amal leader, warned yesterday that unless Palestinian guerrillas pulled back from captured positions into their refugee camps, force would be used to compel them to do so, Nora Boustany reports from Beirut.

In a press conference in Damascus, the Shia leader said he did not expect Arab League mediation efforts to help end the camp war between Palestinian fighters and Shia guerrillas. Mr Berri, absent from Beirut for several months, has been living in the Syrian capital. He is Syria's closest Lebanese ally.

In South Lebanon, an Irish soldier attached to the UN Interim Force in Lebanon was killed by Israeli tank fire, according to a press release by Unifil commander Maj-Gen Gustav Haegglund. "The Irish soldier . . . was killed by a round fired from an Israeli tank. This firing was unprovoked. I have vigorously protested

Israel promises to answer questions on arms for Iran

ISRAEL PROMISED yesterday to answer US questions about its role in the US sale of arms to Iran, Reuter reports from Jerusalem.

"If the United States poses questions to us, we will answer," the Cabinet Secretary Mr Eliakim Rubinstein, said after the weekly Cabinet meeting.

Earlier, Mr Yitzhak Shamir, the Prime Minister, termed as baseless allegations in a leaked US Senate report and a White House memorandum that Israel was the moving force behind the sale of weapons to Tehran.

"I am not getting into details (but) the main things published in this report . . . are false and everything thrown on Israel is baseless and simply not true," Mr Shamir told Armed Forces Radio.

Mr Rubinstein also repeated the Government's denial of the Senate's reported findings that Israel was involved in the transfer of proceeds of the deal to Nicaraguan Contra rebels.

The White House memorandum said the former Prime Minister, Mr Shimon Peres, secretly sent his terrorism adviser to Washington to suggest that Israel, with limited US involvement, could help to bring about a more moderate Iranian Government.

The document was prepared by the former National Security Council aide, Lt Col Oliver North, and presented to President Reagan by the National Security Council chief, Admiral John Poindexter.

Mr Peres, now Foreign Minister, has denied he pressed the US to go ahead with an arms deal. He said: "The Americans approached us

In another development, the Israeli newspaper, Davar, reported that the speaker of Iran's parliament, Hojatoleslan Ali Akbar Hashemi Rafsanjiani, met Mr David Kimche, then Director-General of the Israeli Foreign Ministry, an arms dealer, Mr Yaakov Nimrodi, and Mr Robert McFarlane, then US National Security Adviser, in London a year ago.

As a result, Mr McFarlane recommended US arms be sent to Iran via Israel, the report said.

BAe signs deal on collaboration in Malaysia

BRITISH AEROSPACE has signed an agreement with Aerospace Industries of Malaysia on collaboration, Michael Donne reports.

Under the pact, BAe will assist AIM in the further development of its manufacturing capabilities and establish with it a long-term relationship for the supply of components for BAe aircraft.

The components, to be manufactured by a subsidiary of AIM, will cover the entire range of BAe's civil aircraft, thereby enhancing AIM's own capabilities and technological standards.

AIM was set up by the Malaysian Government as part of its long-term ambition to establish an aerospace industrial capability.

BAe is a leader in international collaboration and has partnership agreements with companies in over 20 countries. Its expertise includes the transfer of technology in manufacturing as well as in support and training facilities across the aerospace spectrum.

'Hundreds die' in Burma as truce crumbles

MORE than 760 Communist rebels and Burmese government troops have been killed during the past two months in heavy fighting near the Chinese border, official reports said yesterday. Reuter reports from Rangoon.

The reports said fighting erupted on November 16 when a 1,500-strong Burmese Communist Party force broke an unofficial 16-year-old truce and launched a surprise assault on government positions in the north-east.

It seized mountain camps at Hsi Hsi Wan and Ta pang but were forced to withdraw when the government counter-attacked.

Burmese state radio said some 18 major battles and 20 additional clashes had taken place since November

JVC claims improved VHS home video system

BY IAN RODGER IN TOKYO

JAPAN'S JVC has demonstrated a modified VHS home video cassette recording system that records without degrading the quality of televised images.

The new system seems likely to set off a fresh battle between JVC and Sony, the Japanese home entertainment group, for the huge world video cassette recorder (VCR) market.

Sony's Betamax system has been beaten by JVC's VHS system in most world markets. Sony has been trying for the past two years to win market acceptance for a new compact 8mm video cassette system. Its arguments for 8mm are its small size and the ability to use the tapes for both audio and video recording.

JVC has responded by proposing a conventional size machine, using the familiar VHS cassettes with half-inch wide tape, but offering a much improved image. It believes this will be appreciated particularly by people using large screen televisions.

The company said the image quality of material recorded on its S-VHS system was comparable to that obtained from broadcast-use video tape recorders that use one-inch wide tape.

This has been achieved by providing 430 lines of horizontal resolution of the image, compared with 240 lines on existing VHS machines.

JVC hopes to begin marketing the systems in Japan before this summer. Prices would be about 30 per cent higher than those on top-of-the-line VHS

OVERSEAS NEWS

Contacts with UK confirmed by Argentina

BY TIM COONE IN BUENOS AIRES

SENIOR government officials in Buenos Aires have confirmed that "indirect" contacts are being made between the Argentinian and British Governments to reduce possible conflicts when Britain's new fisheries management zone around the Falkland Isdands comes into force on February 1.

They said that the contacts were being made via the Argentinian Foreign Ministry, which until now has remained silent on the matter.

Mr Jean-Bernard Raymond, France's Foreign Minister, arrived in Buenos Aires yesterday and is due to hold meetings today with President Alfonsin and Mr Dante Caputo, the Argentine Foreign Minister, to discuss the Falkland Islands dispute.

During the past week, Mr Theodore Gildred, the US Ambassador in Argentina, also held two prolonged meetings with Foreign Ministry officials, during which the Falkland Islands issue was discussed. Mr Gildred later denied that the US was seeking a mediating role.

Other reports have suggested that the US might be looking for other intermediaries such as Uruguay or Australia to undertake such a role, and for the Falkland Islands fishing and sovereignty dispute to be resolved within an international forum such as the Antarctic Treaty negotiations or under the UN Food and Agriculture Organisation.

Argentina, however, rejects multilateral negotiations on the islands.

There has been a surge of quiet diplomatic activity on the issues since the end of December which has included high-level contacts between the Soviet Union and Britain.

The Soviet Union last year signed a bilateral fishing agreement with Argentina to fish in the South Atlantic, both in Argentinian waters as well as those claimed by Britain around the Falkland Islands. The Soviet catch is limited to a ceiling of 120,000 tonnes.

This agreement prompted the British Government to impose its own fisheries protection zone in October last year, which is due to come into force at the beginning of next month.

Soviet trawlers may therefore come into conflict with British coastguard vessels if they venture into the 150-mile zone after February 1. The Soviet Union's own agreement with Argentina came into effect on January 1.

Both Britain and Argentina have produced scientific reports warning of the over-fishing by foreign trawlers in the South Atlantic that has been taking place since the 1982 Falklands conflict, and of the need for regulation of the catches.

British Defence Secretary due in Falkland Islands

BY ROBERT GRAHAM AND DAVID BUCHAN

MR GEORGE YOUNGER, the British Defence Secretary, is due to arrive today in the Falkland Islands for his first ministerial inspection of the 3,000-strong UK military force in Britain's South Atlantic colony.

He will fly into the newly and expensively modernised base at Mount Pleasant after a 20-hour flight from the UK with a stopover at the Ascension Island staging base.

The minister's visit comes a fortnight before Britain starts observing a 150-mile fishing conservation zone round the islands and is likely to be seen by the Argentine Government as deliberately timed.

The fishing conservation zone, operative from February 1 when the South Atlantic fishing season begins, requires all foreign vessels to operate with a British licence. The institution of the zone, strongly criticised by Argentina, is expected to increase the task of fisheries patrol by the Royal Navy and Air Force.

Defence ministry officials in London said there was no link between the imminence of the fishing limit around the islands and Mr Younger's visit which had been mooted for months. The timing of the trip was rather dictated, officials said, by such factors as the current presence of Mr Younger's former regiment, the Argyll and Sutherland Highlanders, on the islands, and the minister's desire to see for himself the result of recent expenditure.

The runway at Mount Pleasant has been lengthened to take long-range aircraft such as the RAF Lockheed Tristar on which Mr Younger is travelling, and in the coming year the headquarters of the British forces are to move there from Port Stanley, the islands capital.

Mexican ruling party overhauls organisation

BY WILLIAM ORME IN MEXICO CITY

MEXICO's ruling Institutional Revolutionary Party (PRI) has carried out an overhaul of its top organisation to prepare for the 1988 presidential election. The changes are designed to strengthen the PRI's electoral machinery and carefully avoid favouring any of the leading aspirants in the race, which effectively begins this year.

The overhaul was agreed at a national assembly of the party last week. The key leadership change was the nomination of Mr Humberto Lugo Gil as secretary-general of the PRI's national executive committee.

Mr Lugo Gil, a former federal congressman, is close to President Miguel de la Madrid, and the post is number two in the party hierarchy. He succeeds Ms Irma Cue de Duarte, who was the first woman to occupy a top committee post.

Also brought into the PRI national committee were six former or departing state governors valued for their extensive local campaign experience. Among them is a rising PRI star, Mr Pedro Joachim Coldwell, who at the age of 36 is concluding a successful six-year governorship of Quintana Roo, and who will assume the party's third ranking position in the committee.

● Mexican consumer prices rose 105.7 per cent last year, up sharply from 63.7 per cent inflation in 1985, and are almost universally expected to continue to increase during at least the first half of this year, David Gardner reports.

Even as the figures were announced by the Bank of Mexico, another round of price increases on goods controlled by the Government, including food staples like rice and beans, was pushed through.

US cautious on change of arms talks negotiator

By Stewart Fleming, US Editor, in Washington

MR Caspar Weinberger, the US Defence Secretary, yesterday played down the significance of a reported Soviet decision to appoint a more senior official to head its arms control delegation in Geneva. He said evidence of a substantive change in the Soviet negotiating position would be more important for the arms talks, which resume on Thursday.

Asked on US television yesterday about reports that Mr Yuli Vorontsov, Soviet first deputy foreign minister, had been appointed to lead the Soviet delegation to the arms talks, Mr Weinberger said: "I think the important thing is not the individual who goes to Geneva but the authority that he has . . . we haven't anything to indicate that the Soviets are going to be any more tractable or any more willing to sign deep reductions agreements (covering nuclear missiles) that are fully verifiable."

The new round of arms talks is thought to be of potentially great significance. Some experts in US/Soviet relations in Washington believe that the Reagan Administration is anxious to move the arms control negotiations forward, not least to deflect attention away from the Iran controversy.

But US arms control officials are stressing that it is Moscow, not Washington, that must make concessions. Mr Max Kampelman, the chief US negotiator, said last week that Moscow would be "making a serious error" if it concluded that the Iran/Contra affair had weakened the Reagan Administration to the point of making unwise concessions on arms control.

Like Mr Weinberger yesterday, Mr Kampelman also stressed the continuing US commitment to the Strategic Defence Initiative.

Asked about another US/Soviet mini-summit such as the one held in Reykjavik, Iceland, in October, Mr Weinberger yesterday did not rule out the possibility but made it conditional on "some indication that (the Soviet Union) is ready to make changes in the position they took there . . . if they have a different agenda and we know that ahead of time it might be of some value."

Mr Weinberger's comments come in the wake of a New York Times report yesterday that the State Department has proposed that US arms control negotiators be given authority to drop the Administration's ban on long range mobile missiles in the next round of talks. The newspaper says that the State Department is arguing that the ban is inconsistent with the Administration's plans to develop two new kinds of mobile missiles, the Midgetman and the deployment of the MX missile on railway lines.

Canada curbs flow of 'refugees'

By Bernard Simon in Toronto

CANADA has imposed visa requirements on Turks and citizens of four African countries in a bid to stem a surge of visitors attempting to remain in Canada by claiming refugee status.

The curbs, which apply immediately, follow the arrival of more than 1,300 Turks in the past two months, and evidence of fraudulent use of travel documents issued by Mauritius, Tanzania, Sierra Leone and Gambia.

Mr Benoit Bouchard, the Immigration Minister, estimated that two-thirds of people claiming refugee status on arrival in Canada are not in danger of persecution in their home countries. But such claims have enabled applicants to remain in Canada for up to three years while their cases are investigated. Even after that, deportations are rare.

About 15,000 people claiming to be refugees arrived in Canada last year, most of them through Montreal.

● All attempts by the Royal Canadian Mounted Police to find the master dies for Canada's new one-dollar coin which vanished last November somewhere between Ottawa and Winnipeg have failed. The Royal Canadian Mint has been forced to change the coin's design.

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Lionel Barber profiles Lee Hamilton, leading a probe into the arms scandal

Man of principle in search of Irangate truth

CONGRESSMAN Lee Hamilton's colleagues on Capitol Hill say he is as straight as the roads in his home state, Indiana. Stern and grave looking, his bristling grey hair bordering on an old-fashioned crew-cut, he epitomises the virtues of Middle America—which makes him the almost inevitable choice to chair the House select committee investigating the Iran arms scandal.

Over the next nine months, the likely length of the House inquiry, the American public will come to respect, if not necessarily to love, the meticulous Mr Hamilton.

Like his fellow Democrat chairing the parallel Senate select committee inquiry, Senator Daniel Inouye of Hawaii, he will become a nationally-known figure.

In an era where television maketh the politician, Mr Hamilton, 55, has stood out as someone who avoids playing to the cameras. He is not given to inflammatory statements and he puts substance ahead of rhetoric. "Lee is not a bomb thrower," says one House aide who has worked closely with him.

Some colleagues on the 15-strong House Committee are more explosive by nature, such as Representative Henry Hyde, the conservative Republican from Illinois. Congressman Hamilton will need all his skills to contain the many powerful egos among those who rush to claim a place on his committee.

Lee Herbert Hamilton will draw on the respect he has built up over more than 20 years in Congress since he was elected in 1964, the year of President Lyndon Johnson's landslide win over Barry Goldwater. And here lies the paradox: as a politician representing a district in very nearly land-locked Indiana, Mr Hamilton's reputation lies in an area of little or no direct interest to his constituents: foreign affairs.

Hamilton proposed an amendment that would have ended aid to the Contras

His passion goes back to the immediate post Second World War period when, like many young Americans, he spent time in Europe. In Congressman Hamilton's case it was West Germany, where he spent a year (1952-53) at the Goethe University in Frankfurt.

To pursue foreign affairs so avidly is unusual for a congressman. A more natural home would be the Senate since it enjoys the primary constitutional authority to become involved in foreign policy making. Yet Mr Hamilton has never sought to represent his home state in Washington as a senator.

By 1980 Congressman Hamilton had acquired enough of a power base in the House not to look elsewhere. He was a senior member of the Foreign Affairs Committee and, in 1984, he was speaker Tip O'Neill's first choice to become chairman of the sensitive House Intelligence Committee.

In both capacities, Mr Hamilton has been deply involved in Congress's scrutiny of President Ronald Reagan's covert operations, both in Central America and Angola.

On the House floor and in committee hearings he has fought for the principle that the executive should keep the legislature informed (something which the White House signally failed to do during the Iran affair).

"But make no mistake," says one Houset staff member, "he has supported 95 per cent of the covert operations."

But Mr Hamilton is opposed to aiding the Contra rebels fighting to overthrow the leftist Sandinista Government in Nicaragua. Towards the climax of a passionate debate last June on whether the House should support President Reagan's request for $100m aid to the Contras, Mr Hamilton proposed an amendment which would have ended any direct aid.

He knew it would not fly. But again he wanted to fight for a principle. Privately, he was disappointed that droves of Democrats backed the president for fear of being accused of being soft on communism in the run-up to the November mid-term elections.

It would be easy for him to feel cheated, if not betrayed, by the White House

Mr Hamilton is equally clear-headed on other foreign issues. Writing in a recent edition of Foreign Policy, he criticised the Reagan presidency for failing to use negotiation and diplomacy in its foreign policy.

"President Ronald Reagan may have restored the image of American power in the past six years but he has shown far less ability to use that power to shape international institutions and agreements that can protect and promote US interests."

In this respect, Mr Hamilton is a critic of the Reagan Administration's abandonment of the Salt 2 Arms Treaty, the Law of the Sea Treaty, its decision not to submit to compulsory compliance with the International Court of Justice and its "unilateral reinterpretation of its obligations under the anti-ballistic missile (ABM) treaty."

More broadly, Mr Hamilton argues that Mr Reagan has promoted the Contra cause to the exclusion of more important issues such as the international debt crisis and its impact on democracy in Latin America. In his estimation, the economic and political stability of Mexico is more important to the US than the fate of Nicaragua.

So Congressman Hamilton is no friend of the Administration. It would be easy, too, for him to feel cheated, if not betrayed, by the White House over the Iran-Contra affair. But the extent of his personal feeling goes little beyond what he told a recent newspaper interviewer: "I feel I should have known."

As a politician who pays plenty, some would say excessive, attention to the legislative process, Congressman Hamilton can be expected to leave little unexplored in his committee's quest for the truth. For the White House, seeking to put the affair behind the president, he could prove a formidable adversary.

Warning of environmental disaster over aid projects

BY NANCY DUNNE IN WASHINGTON

PROPOSED multilateral bank projects in India and Ecuador top a list of 28 planned development schemes which could result in environmental disasters.

The list, drawn up by the US Agency for International Development, was required by congressional legislation last year after several years of hearings about projects which were said to be environmental hazards.

A project developing Brazil's North-West Frontier, known as Polonoroeste, was criticised on the grounds that it had spawned unsustainable land use, excessive deforestation and invasion of Indian lands.

Congress finally acted last year after an aid field mission severely criticised a proposed World Bank project in Botswana, saying it would harm the already overgrazed rangelands and kill much of the region's wildlife.

The legislation, passed last October, requires the US Government to seek changes to proposed bank projects which may have harmful effects.

The list, which mostly includes World Bank proposals, cites three questionable projects in both India and Ecuador. Two of the schemes involve large dams: the India Narmada River Development, a joint World Bank and Inter-American Development Bank proposal, and the IDB's proposed Daule Peripa Hydro-electric project in Ecuador.

The Botswana project, planned by the African Development Bank, is also on the list. Mr James Baker, the US Treasury Secretary, has withdrawn his support for the proposal.

The Natural Resources Defence Council, which has led the fight against large environmentally-unsound development projects, says many of the schemes have also been financial disasters.

Brazil in Washington talks over $4bn loans

BY IVO DAWNAY IN RIO DE JANEIRO

A HIGH-LEVEL Brazilian mission arrives in Washington today to open exploratory talks on fresh loans from commercial banks and the international institutions of up to $4bn (£2.7bn).

While the authorities continue to insist that Brazil has no immediate urgent need of new funds, the week-long visit confirms speculation that the country may not be able to meet its foreign debt commitments without additional financing.

Mr Fernao Bracher, the Central Bank governor, is expected to meet officials of the World Bank, the Inter-American Development Bank, the International Monetary Fund (IMF), the Federal Reserve and leading commercial creditor banks.

Last month, Brazil won commitments from its private sector creditors for a three-month roll-over of interest and principal on about $67bn of debt to allow negotiations to take place. But its hopes of obtaining a multi-year rescheduling agreement (Myra) on generous terms have been cast into doubt by a rapid deterioration in the country's balance of trade and mounting concern among bankers over growing inflationary pressures in the economy.

Although the Paris Club group of sovereign country creditors agreed, to some surprise. Last month to resume some ending without a supervisory IMF programme, there are clear indications that the commercial banks may insist on the imposition of targets imposed by the Fund.

Officials in Brasilia continue to claim that no such programme has been demanded by the banks as a pre-requirement for an agreement. But reports from New York suggest that clear commitments to reduce Brazil's public sector deficit will be a *qui dpro quo* for an agreement.

The international banking community is seriously concerned over the collapse of Brazil's trade surplus, that has seen recent monthly receipts drop from an average of about $1bn to a forecast $100m in December.

Central Bank projections of a trade surplus in 1987 of over $10bn have been greeted with widespread scepticism. "Three months ago we wouldn't have demanded an (IMF) agreement," one New York banker claimed recently. "We thought that the Government had the self-discipline to dispense with outside supervision.

"But it seems the Government is abdicating its responsibilities and, in thoset circumstances, the solution is to call the IMB back."

Talks on the rescheduling terms of Brazil's $9bn Paris Club debt are due to open on January 19. Only after these are completed will full negotiations with the key commercial banks begin.

In the interim, the Brazilian Government is struggling to limit the impact of a planned two-month period of economic adjustment, in which wide-ranging price rises, officially prohibited under last February's price-freezing Cruzado Plan, will be authorised.

Today, President Jose Sarney will chair an economic development council meeting aimed at co-ordinatitng price and salary increases with public investment schemes. With short-term interest rates closing last week at an annualised rate of over 400 per cent—up 180 percentage points in five days—there has been mounting speculation that both interest and exchange rates could be re-indexed to inflation under the same mechanisms that the Cruzado Plan attempted to eliminate.

The Government is also seeking ways of abandoning the salary rise trigger that allows automatic increases each time inflation increases consumer prices by 20 per cent.

Matutes offers to lead Spanish conservative party

BY DAVID WHITE IN MADRID

MR ABEL MATUTES, one of Spain's two European Commissioners in Brussels, has said he is prepared to return to Madrid if necessary to take over the troubled conservative party, Popular Alliance (AP).

However, he has made clear he will sacrifice his EEC post only if it becomes crucial for the party in its effort to replace its founder, Mr Manuel Fraga, who quit as leader last month.

Pressure to bring back Mr Matutes, 45, a former AP economy spokesman, has built up as part of a campaign to head off a bid by Mr Miguel Herrero de Minon, effectively the interim leader, to secure the permanent leadership

The proposal would also mean giving significant powers to the man who has up to now been Mr Herrero's main rival, Mr Antonio Hernandez Mancha, a bubbly 35-year-old, who has made an impact as the party's regional leader in Andalucia, and who would become secretary-general.

However, since neither Mr Matutes nor Mr Hernandez Mancha holds a seat in Congress in Madrid, the backers of this operation want to keep Mr Herrero as head of the parliamentary opposition—a consider him an unsuitable candidate for launching a promise which Mr Herrero says he will refuse.

A major clash at the party conference starting on February 7 now seems increasingly probable.

Mr Herrero, a brainy 46-year-old lawyer, was one of Mr Fraga's most loyal supporters during the in-fighting which broke out in the party last year.

Although, in contrast to Mr Fraga, he is free of associations with the Franco regime, many modern image for the Spanish centre-right.

His opponents include fellow party vice-president Mr Alfonso Osorio. who has given public backing for Mr Hernandez-Mancha. Others, however, regard the Andalucian leader as a lightweight.

● The Spanish Cabinet yesterday named a businessman, Mr Javier Gomez-Navarro, as secretary of State for Sport to handle preparations for the 1992 Olympic Games in Barcelona.

Oil stocks fall sharply in fourth quarter

BY Lucy Kellaway

OIL stocks, which had built up rapidly during most of 1986 as a result of falling oil prices, were sharply depleted during the fourth quarter, according to the latest monthly oil report from the Paris-based International Energy Agency.

This may give some encouragement to the Organisation of Petroleum Exporting Countries, as the unusually high level of stocks had been thought likely to get in the way of members' attempted return to fixed oil prices, due to come into force at the end of the month.

The IEA estimates that stocks in the Organisation of Economic Co-operation and Development area were run down at 0.9m barrels a day during the past three months of 1986, leaving them by the end of the year at 443m tons, 18m tons higher than a year earlier. Stocks now account for 98 days of future consumption compared to 93 days a year ago.

Partly as a result of the drawing of stocks, annual growth in oil consumption in the fourth quarter slowed to 2 per cent from 3.3 per cent in the third quarter.

Australian diplomat expelled by France from New Caledonia

BY GEORGE GRAHAM IN PARIS

RELATIONS between France and Australia took a turn for the worse at the weekend with the expulsion of an Australian diplomat from the French territories in the South Pacific.

Mr John Dauth, Australian consul general in New Caledonia, was declared *persona non grata* because of "behaviour contrary to diplomatic practice," the French Foreign Ministry said.

Friction has continued to increase between the two countries over France's continuation of nuclear tests in the South Pacific and over Australian support for the independence movement in New Caledonia. Three weeks ago, France announced that it was suspending official visits between the two countries.

Mr Bill Hayden, the Australian Foreign Minister, yesterday said he regretted France's "unilateral and unjustified decision" and denied any suggestion that Mr Dauth or his colleagues had acted unprofessionally or outside the definition of consular duties laid down by the Vienna convention.

Mr Bernard Pons, French Minister for Overseas Territories, recently attacked the "interference" by Mr Dauth in French affairs in New Caledonia, while French Foreign Ministry officials have complained of a systematic Australian campaign against French policies.

France has particularly resented the role played by Australia in the recent campaign by South Pacific states to have New Caledonia recognised by the UN as a territory to be decolonised.

Jaruzelski visits Rome in bid to heal rift with West

BY JOHN WYLES IN ROME

GEN WOJCIECH JARUZELSKI, the Polish Communist Party leader, arrives in Rome today for his first official visit in Western Europe since the clampdown on the Solidarity trade union organisation in 1981.

His journey, therefore, marks an important stage in Poland's bid to normalise relations with Western countries which has been made easier by last autumn's amnesty and release of political prisoners.

After talks today with Mr Bettino Craxi, the Italian prime minister, and an official dinner this evening, Gen Jaruzelski will meet Pope John Paul II in the Vatican tomorrow. This will be their first meeting since the Pope's visit to his native country in 1983 and the Pontiff is expected to voice his disappointment that the Government's liberalisation moves have not gone far enough.

This is certainly the opinion Italian trade union leaders are expected to express forcibly at a meeting with the General who has apparently reversed his earlier refusal to hold talks with them.

For the Government's part, Mr Craxi and Mr Giulio Andreotti, the Foreign Minister, want to discuss post-Reykjavic prospects for East-West relations and to head Gen Jaruzkelski's own account of likely economic and political reforms inside Poland.

Auditors 'should be given specific role over fraud'

BY BARRY RILEY

AUDITORS should have specific responsibility for identifying significant fraud, according to a majority of nearly 1,000 leading company finance directors polled in the US and nine European countries.

But UK and US finance directors thought otherwise. Whereas 65 per cent of the total sample agreed, against 29 per cent who disagreed, the UK split was 32/66 and the American 42/52.

On the other hand, the UK and US respondents tended to agree that auditors should be provided with a method of reporting suspected fraud involving top management to an outside authority. As many as 73 per cent of UK financial directors thought this.

Against that, Swiss and German respondents in particular, came out against the idea and overall there was a 45-41 split of opinion, with 13 per cent of don't knows.

The fraud questions were part of a lengthy opinion survey conducted for the international accountancy firm, Klynveld Main Goerdeler, by Gallup Poll.

Since the poll was commissioned, KMG has agreed to merge with one of the top international accountancy firms, Peat Marwick International, to form KPMG, the world's biggest firm by a large margin.

The results are based on a total of 953 interviews with finance directors of the top private sector or nationalised companies in each of the 10 participating countries. Replies were received between last August and December.

Asked their views on the advantages of international auditing firms, 48 per cent said they preferred to deal with one international group. But 25 per cent preferred local firms, at least sometimes.

UK, Dutch and US respondents were the most enthusiastic about using international auditors. But the Swiss were more inclined to use smaller firms.

Those favouring one international auditor believed this policy to have the advantages of consistency and simplicity. Those in the opposite camp were primarily looking for local knowledge and contacts.

The most common complaint was that the audit team changed too frequently. Overall, 37 per cent mentioned this. The biggest problem appeared to be in Italy and the UK, where respectively 58 and 52 per cent of finance directors made a plea for greater continuity.

SHIPPING REPORT

Shortage of vessels gives lift to dry cargo market

BY KEVIN BROWN, SHIPPING CORRESPONDENT

THERE WAS a dramatic start to the new year in the dry cargo markets, according to brokers, with the Panamax rate for grain cargoes from the US to Japan moving up rapidly from barely $11 to $13.50.

The Gulf-Continent rate followed the trend, rising from about $6.25 for light grain to as high as $7.25.

Denholm Coates, the London brokers, said an unexpected shortage of vessels had given the market a much-needed lift.

It was noted, however, that bunker prices appeared to be settling at about 25 per cent above pre-Christmas levels.

In the tanker market, brokers said the strongest sector was the North Sea, where at least eight ships were fixed in one day for short-haul cargoes plus additional tonnage for the US.

Rates rose quickly in line with this increased demand and by the end of last week an 84,000-tonne cargo for the European coast was fixed at Worldscale 67.5.

A cautious note was introduced with rumours in the market that Norway was considering reducing oil output by up to 8 per cent in support of attempts by the Organisation of Petroleum Exporting Countries to secure a minimum long-term price of $18 a barrel.

Business was quiet in the Middle East, with some confusion persisting over the revised Worldscale rates introduced at the start of the year.

World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

					% change over previous year
	Nov. '86	Oct. 86	Sept. 86	Nov. 85	
US	115.9	115.3	115.2	114.9	+0.9
	Oct. 86	Sept. 86	Aug. 86	Oct. 85	
W. Germany	111.2	106.4	104.6	108.3	+2.7
France	103.1	102.6	102.4	101.2	+1.9
Italy	99.2	98.3	97.6	96.0	+3.3
UK	110.0	110.9	110.6	108.5	+1.4
	Sept. 86	Aug. 86	July 86	Sept. 85	
Japan	122.1	118.8	121.9	121.5	+0.5
	Aug. 86	July 86	June 86	Aug. 85	
Netherlands	104.5	104.7	104.2	103.8	+0.7

Source (except US): Eurostat

Kinnock 'would reverse budget income tax cuts'

BY JOHN HUNT

MR NEIL KINNOCK, the Labour leader, made it clear yesterday that, if a Labour government won the general election, it would not hesitate to reverse any 1p or 2p income tax cuts that the Chancellor of the Exchequer might make in his spring budget.

His remarks, made on BBC TV's This Week, Next Week, is certain to be seized on by the Conservatives as ammunition in the run-up to a general election.

Mr Kinnock also emphasised that Labour would stick to its proposal for a £26bn package to produce 1m jobs over two years and would not be blown off course by "muggers" from the international financial community.

He strongly defended Labour's policy of scrapping Britain's nuclear deterrent and closing American nuclear bases and denied that it would be an electoral liability.

The political battle will be stepped up this week with Parliament reassembling today after the Christmas recess.

A Harris opinion poll, taken for London Weekend Television's Weekend World, suggests that Labour and the Social Democratic Party/Liberal Alliance are not making the headway which they need in Tory marginal seats in order to prevent a Conservative government returning to power.

However, a Harris poll in the Observer newspaper in the London constituency of Greenwich, where a by-election is pending, put Labour ahead locally by a massive 35 percentage points.

Mr Bryan Gould, Labour's campaign co-ordinator, viewed the Weekend World poll with disbelief and found it "incredible" compared with the findings of the poll at Greenwich.

But Mr Gould conceded that Labour was doing less well than it would like in the pool and that a "small, further breakthrough" was necessary for it to secure an overall majority.

Mr Kinnock also agreed that, although there had been a significant turnround in support for the party over the past three years, "we need that additional surge." He claimed, however, that Labour was ready for an election "next week if possible."

On restoring any tax cuts made in the budget, Mr Kinnock went further than the brief remarks he made after Labour's strategy meeting last week.

He repeated that such cuts would not be regarded as "written in stone" and described them as a "cheap gimmick." He said that rather than have 1p or 2p off the standard rate, people would prefer higher standards of health care, education, training and opportunity.

If it was feasible to carry out Labour's programme without charging extra taxes he would be delighted. But Labour had to be honest and say that if the bills were to be paid for its programme there was no way "we can put an extra quid in your pocket" by tax cuts. Labour would do what was necessary to ensure social justice and see that these bills were paid.

Later Mr Gould blamed the Government for City of London insider trading scandals and called for a powerful new body to oversee City regulation, including takeover bids. Speaking on Channel 4's Business Programme, he called for rules which are clear, public and had the force of law.

Tax cuts likelier, Page 7

TV rental millionaire became a benefactor

SIR DAVID ROBINSON, philanthropist, television rental tycoon and one of the most successful owners in horse-racing history, died at his home in Newmarket, south-east England, over the weekend.

He was 82 and had been ill for some months.

Knighted in 1985 for gifts to charity estimated at over £26m, including £17m to found a Cambridge college which now bears his name, David Robinson made his fortune in the peculiarly British television rental industry.

Beginning in a Bedford garage and motor dealers at the beginning of the 1930s, his David Robinson Company had branched by 1937 into radio, electricals and cycle retailing and, eventually, into radio and TV rentals.

Television set ownership in this country grew into a mass market between the coronation in 1953 and the mid-1960s. However, the growth in demand ran parallel with credit squeezes on domestic consumption which typically led to 30 or 40 per cent initial deposits being required, by law, on the purchase of high-priced radio and electrical goods.

Renting a set, at least initially, allowed consumers to avoid the deposit requirement; thereafter, the market was very competitive, and rental was frequently seen as a cheaper way of having television

By 1968 the pre-tax profits of Robinson Rentals (Holdings) were £2.1m. In that year Mr Robinson sold his remaining stake in the company to the Granada Group for £5.1m, having netted between £3m and £4m from the sale of an initial block of shares some months earlier.

At that time, his interests were turning to the turf. He had won the 2000 Guineas with Our Babu as early as 1955, but for 10 years from 1968 his jockeys rode 987 winners with Mr Robinson consistently topping the owners' list in terms of individual owners and races in the first eight years.

A shy man, he fiercely guarded his privacy and became identified with it in the later 1970s and early 1980s when he had shed his racing interests and made the headlines as a philanthropist.

Joan Gray reports on a survey of British lifestyles

Leisure is consuming passion

THE top priorities for consumer spending in Britain in 1987 will be holidays and travel, housing and home improvements, according to the research organisation Mintel.

A report on British lifestyles from Mintel shows that 1986 was a boom year in nearly all major British markets for consumer goods and services.

"Retailing, manufacturing, finance and service industries all benefited from the massive growth in consumerism as the British economy started to pick up," it says.

But it warns that overspecialisation in "vertical" industry sectors means that "many companies are blinkered to both the opportunities and the threats which are being created by the changing lifestyles of the British public."

The key changes which the report reveals are the increasing affluence of those in work, their greater willingness to spend on health and education, and their growing amount of leisure time – in longer paid holidays, rather than in extra free hours during the working week.

"The much-vaunted increase in leisure time is true, but not on a week-to-week basis," it says. "The working week has altered very little since 1970, and the reduction in the working year is almost entirely concentrated on holiday time made available."

The greater number of women in work – up to 10.17m in 1985 compared with 9.57m in 1975, according to the Annual Abstract of Statistics from the Government's Central Statistical Office (CSO) – has also contributed to changes in British lifestyles, says Mintel.

These include the low priority given to food eaten at home, increasing the demand for convenience food and leading to "the demise of the more formal meal taken at the table, in favour of snacking." Mintel also found that nearly 60 per cent of women favoured unrestricted Sunday trading.

Although the number of unemployed has risen steeply, from 838,000 in 1975 to 3.18m in 1985, according to the CSO, and while the pound sterling in 1985 was worth only 36p compared with £1 in 1975, the Mintel report says that those in work are getting richer.

"Household income has increased by 214 per cent comparing 1985 with 1975 although it should be remembered that over the same period of time the general index of retail prices has advanced by 180 per cent," says Mintel.

Apart from salaries and wages, "one most important aspect of where the money comes from is the rapid growth in the use of credit, encouraged by retailers, credit card companies and building societies turning a blind eye to further mortgage leakage."

"This is one of the main reasons why consumer spending over the past 10 years has consistently outstripped consumer income."

Although growth in home ownership and rapidly rising house prices have helped the current consumer boom, Mintel warns that this could be dangerous.

"So long as the consumer's main asset, his house, continues to appreciate more rapidly than inflation, all is well and good. But if house prices slump, there will be considerable problems ahead. Meanwhile, assets locked up in owner occupiers housing are currently worth an astonishing £450bn."

The markets which have grown significantly faster than the average 223 per cent increase for all expenditure are those for holidays, houses and home improvements, and entertainment out of the home.

Markets which have grown only slightly less strongly are those for garden products, audio visual products for buying and running vehicles.

Medicines and medical fees and educational fees are also tipped as a growth market by Mintel. The reason is a desire to opt out of a state system which is seen as "cumbersome and thus frequently inefficient."

The report also warns that Britain could become an increasingly divided society, consisting of the poor (the unemployed and many pensioners) and the rich (those in employment, especially two-earner households and high wage earners).

"There has always been a divide between the haves and the have-nots, but now the latter category is slanted towards the young and the elderly and Northerners, rather than on strict socio-economic lines," says Mintel.

The CSO shows that the number of those receiving supplementary benefit has risen to 4.77m in 1985, from 2.90 in 1975. The number of pensioners is also up from 2.9m men and 5.5m women in 1975 to 3.4m men and 6.4m women in 1985.

● *British Lifestyles, available from Mintel Publications, 7 Arundel Street, London WC2R 3DR, price £495 with 15 per cent discount until February 7.*
Central Statistical Office Annual Abstract of Statistics, 1987 edition, HMSO £17.50.

Launch of market in property securities delayed six months

BY PAUL CHEESERIGHT

THE CREATION of a new London market dealing in property securities has been put back by about six months.

Plans to start trading property income certificates (Pincs) on the Stock Exchange this month or next have been abandoned. "Trading is now more likely to start in the middle of the year," said Mr Stephen Barter of Richard Ellis, property surveyors and agents, which with County, the National Westminster merchanting banking unit, has sponsored Pincs.

Pincs are an entitlement to a portion of the rental income of a single property and a share in the management company set up to run that property.

Their introduction on the Stock Exchange would add a new dimension to commercial property investment which is largely based on buying equities in property companies. They would provide the first opportunity to trade shares in single buildings.

The Pincs Association, set up by Ellis and County to bring together financial institutions and companies interested in single property trading, announced in October that Pincs would be on the market in January or February.

But the association appears to have underestimated the time necessary to provide a regulatory framework for the market and to ensure the interest necessary to make the market work.

"We are still discussing listing requirements with the Stock Exchange", Mr Barter said. Further talks take place later this month. The Stock Exchange said it hoped to finish its preparatory work in the not too distant future and that no real stumbling blocks remain.

But Mr Barter indicated that the Pincs Association, in spite of an increase in its membership to more than 30, is not yet satisfied that there are enough potential investors for a vigorous start

He spoke of the need for "a major education and awareness campaign" and said: "We'd rather wait than go too soon."

However, Consensus Research, in a poll of 200 financial institutions, funds and property companies, found that 56 per cent considered themselves likely investors in Pincs. This is an increase of 10 percentage points over a similar poll carried out in March last year.

The Pincs Association had planned to release details before Christmas of the first buildings which would be offered for flotation. They are still awaited.

Lotus buys control of US distribution chain

BY JOHN GRIFFITHS

GROUP LOTUS will announce today that it has bought control of its US distribution network as part of a strategy under which it intends to be selling 3,000 cars a year in the US by 1992. This is more than 20 times last year's level.

In 1986 the specialist sports car and engineering concern, which has been owned for almost exactly one year by General Motors, sold about 130 cars in the US through its 65-strong dealer network.

Lotus has bought out, for an undisclosed sum, the 46 limited partners in Lotus Performance Cars, with headquarters at Norwood, New Jersey.

Speaking from the US at the weekend, Mr Michael Kimberley, Lotus's chief executive, said that the move was being undertaken "in order to achieve our ambitious, long-term growth plans."

Lotus would now "control all US sales and marketing activities" through a new company, Lotus Cars USA Inc.

When LPC was being set up in 1981–82, Lotus spoke of achieving 300 sales a year once the then-planned network of 35 dealers had been put in place.

The furore surrounding the collapse of the De Lorean sports car project, and Lotus's close links with the project, delayed the setting up of the network. So far Lotus has engineered only one car, the Esprit Turbo, to meet US legislative requirements

However, Lotus believes that its potential US market with its current, two-car range, is 600–700 units a year.

By 1992, said Mr Kimberley. Lotus intended to have a network of 125 US dealers

Truck crash raises nuclear incident fear

BY BILL COCHRANE AND DAVID BUCHAN

A 20-ton lorry, part of a top-secret military convoy of the sort used to ferry nuclear loads, was yesterday recovered from a field in Wiltshire, southern England, after it had skidded off an icy road on Saturday afternoon and landed on its side.

The crash led to a major security operation near the village of West Dean, which houses a Royal Naval Armaments Depot. Police roadblocks were set up, and men from the RAF Regiment, dressed in arctic-style clothing as protection against the freezing cold, formed a defensive circle in fields 300 yards from the crashed vehicle.

Following the lorry's recovery, Ministry of Defence (MoD) officials said that it could be assumed from the nature of the convoy's escort, and the care taken after the crash, that this had been one of the MoD's "special loads." This term has been associated with the convoys known to ferry nuclear loads.

Meanwhile, Mr Roger Freeman, junior defence minister, said there had been no casualties and that there had never been any risk to the public.

However, Mr Martin O'Neill, opposition defence spokesman, said the incident would be raised today in Parliament. "The fact that a military convoy should have been sent out at this time of year in the prevailing weather conditions almost defies reason or logic," he maintained.

Ms Meg Beresford, general secretary of the Campaign for Nuclear Disarmament, condemned the Government's record and claimed that, in August 1985, two Mammoth Major trucks believed to be carrying Polaris warheads collided with each other in a busy high street

Renault plan removes closure threat from truck subsidiary

BY KENNETH GOODING

A NEW strategic plan has been agreed for Renault Truck Industries (RTI), the Dunstable-based company, by its state-owned French parent, removing the threat of potential closure which has been hanging over the UK company for some months.

Mr Hervé Guillaume, RTI chairman, said at the weekend that the new plan would enable the British subsidiary to trade profitably this year and make a net profit in 1989. In 1985 RTI, in which Renault has invested £100m since 1981, cut its pre-tax loss to £7.5m from £10.2m.

However, Mr Guillaume said further cuts were still possible in the RTI workforce, which in October was cut by 89 to 1,250.

The new plan includes an extension to the Renault heavy truck range built at Dunstable in southern England, and revisions to the Dodge Commando range of light trucks this year.

Mr Guillaume said RTI was now more confident about being able to win business for the UK-built Renault trucks. Some big fleets were considering placing orders, and the Post Office in December took delivery of 10 Renault-badged heavy trucks.

Last year, deliveries of UK-built Renault trucks rose by more than 30 per cent to 850. In all, RTI shipped 5,400 trucks over 3.5 tonnes last year, a 10.5 per cent improvement on 1985, but only about one third of capacity.

Stocks were cut from 1,800 to 700 vehicles. The Dunstable factory is now working a 4½-day week and is building vehicles only against firm orders.

RTI's flexibility, both in its engineering department and the factory itself, has allowed it to tailor-make products for customers. As a result it has won 40 per cent of the market for small buses – about 500 orders so far – which is developing fast since the deregulation of bus services in Britain.

Lisa Wood reports on the sparkling UK mineral water market

Perrier buys Buxton spring

PERRIER UK, a subsidiary of Source Perrier, the French mineral water company, announced today it had purchased Buxton Mineral Water from Britvic Corona, the UK soft drinks group.

The sale, for an undisclosed amount, comes after a review of the activities of Britvic Corona, which was recently formed when Britvic Soft Drinks acquired the UK soft drinks activities of Beecham, the pharmaceuticals and consumer products group. Britvic Corona also holds the British franchise for Pepsi-Cola and 7-Up.

Buxton Mineral Water, discovered by the Romans, has around 1 per cent of the fast-growing British mineral water market, which this year is forecast to be worth more than $70m. The Buxton spring in Derbyshire, in the Midlands, is one of four mineral water sources in the UK that satisfy EEC classification requirements.

The UK mineral water market was pioneered in the early 1970s by Perrier. The company's sparkling mineral water commands 75 per cent of the UK market. UK sourced brands include Highland Spring, Cwm Dale and Malvern Water.

Perrier UK described the acquisition of Buxton Mineral Water as immensely important. It will allow some local sourcing of Perrier's growing UK market, a strategy Perrier also adopted in the US after a successful development of the market with products exported from France.

Mrs Wenche Marshall Foster, chief executive of Perrier UK, said the UK mineral water was still in its infancy and forecast that by 1990 sales would be worth more than £200m. British waters, she said, will make an important contribution to this growth. Perrier intends to put substantial marketing support behind the brand.

The Perrier range now includes traditional sparkling water, with or without a fruit flavouring, Volvic, a still water, Contrex, the top selling still water in France, and Vichy Saint Yorre, a slightly alkaline sparkling water.

Brands owned by Britvic Corona include Canada Dry, the Britvic juices range, Corona, Quosh, Tango and Hunts.

Far East clothes imports dominate British market

BY ANTHONY MORETON

OVER HALF the clothes on sale in British shops now come from six Far Eastern countries – Hong Kong, South Korea, Taiwan, China, Macao and Thailand.

These countries accounted for 52 per cent of British imports by volume in the first nine months of last year compared with only 43 per cent in the same period of 1985.

Imports from low-cost countries look set to take an even larger share of the market, according to the British clothing industry. Most of the rise in imports in the first nine months of last year came from countries covered by EEC agreements under the Multi-Fibre Arrangement (MFA), the agreement that regulates a large part of world trade in textiles and clothes.

Import volume from these MFA countries, ranging from Hong Kong and South Korea to Bangladesh and Brazil, went up by 21 per cent in the nine months compared with January-September 1985. By contrast, imports from the EEC rose by only 1 per cent.

The way in which imports continue to dominate Britain can be seen from figures from the British Textile Confederation which show that imports of clothes from all sources rose by 17 per cent by volume in the nine months following a rise of 22 per cent in the same period of 1985.

By contrast, imports of textile products – raw materials and fabrics – went up by only 4 per cent.

Commenting on the figures, Mr Ian MacArthur, director of the BTC, said: "The surge of imports from the Far East during 1985 underlines just how important these countries are as suppliers to the UK.

"The MFA remains a vital defence against further serious damage to activity and employment in Britain from an unrestrained import surge. It is the best guarantee against a global trade war in textiles and clothing."

The MFA, introduced in 1974 and renewed in 1978 and 1982, was further renewed last summer for five years from the start of January.

On the export side, sales of both clothing and textiles to the US, one of Britain's best export markets, was hit by the fall in the value of the dollar. However, the fall in the value of sterling helped increase sales in West Germany, another top market.

Britain's adverse balance of trade in the nine months mounted by almost £300m to £1.95bn.

Job prospects still bright for graduates

BY HELEN HAGUE

THE "sellers market" for graduate recruits looks set to continue this year – particularly for engineers and computer scientists – according to a report published today.

Many employers are recruiting graduates for the first time, and many others are raising their quotas in 1987, according to the report compiled by Incomes Data Services (IDS), the independent pay research body.

The IDS Top Pay Unit surveyed 70 companies which traditionally recruit graduates to compile its report on graduate pay and progression.

It found a wide range of graduate starting salaries last year – from £6,500 at Vaux Breweries to as much as £13,000 in one food manufacturing company. Most starting salaries fell into the £8,000–£9,000 range.

However, one US investment bank was offering £13,500, plus a bonus in 1986.

So-called "golden hellos" are not common for graduates who join institutions in the City of London, but Kleinwort Benson, the merchant bank, offered £2,000 for speedy acceptance of an offer last year.

The IDS report points out that starting salaries tell only half the story: pay progression during early years with an organisation is of equal importance to potential recruits.

It found that in general, the lower the starting salary, the quicker the pay progression three years after recruitment, with accountants and tax inspectors faring best.

The report found that second degrees and doctorates are frequently worth money – £300–£500 at British Aerospace, and £500 at Cadbury's the food and confectionery group. At Ferranti, the electronics group, a masters degree in science was worth £675 last year and a doctorate £1,000.

● *Pay and Progression for Graduates: IDS Top Pay Unit Research File 3, available on subscription from IDS, 193 St John Street, London EC1V 4LS.*

UK NEWS

Hopes of major tax cuts boosted by high revenue

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

TREASURY ministers yesterday completed their first budget strategy session amid rising expectations in Whitehall and the City of London that Mr Nigel Lawson, the Chancellor of the Exchequer, will have scope for a major reduction in income taxes.

The recent buoyancy of the Government's non-oil revenues and the rise in the price of North Sea oil have prompted forecasts that the Chancellor may be able to cut taxes by £3bn or more in the run-up to the general election.

This weekend's talks, at the country residence of the Foreign Secretary in Chevening, Kent, were described by officials as a general strategy session rather than a decision-making meeting.

The ministers reviewed the Treasury's latest revenue estimates showing that the current boom in consumer spending and strong company profits have put tax receipts well ahead of previous forecasts. In parallel, the rise in the oil price to $18 a barrel could add £1.5bn to revenues over the next year.

Senior Treasury officials, however, have been cautioning the Chancellor against devoting the whole of the so-called fiscal adjustment to tax cuts.

They believe a sizable part should be devoted to lowering the public sector borrowing requirement in 1987-88 from the £7bn presently envisaged. That would boost confidence in sterling and could pave the way for an post-budget reduction in interest rates.

Mr Lawson has sought to dampen expectations on the extent of any tax cuts because of the large increase in public spending announced in his autumn statement, which will be confirmed in this week's white paper (policy document).

The general expectation in Westminister and the City, however, is that he will cut 2p of the basic rate of tax and raise thresholds more than would be needed to keep up with inflation. The Chancellor's recent interview with the Financial Times has also prompted speculation that he might announce a reduction in the top rate of tax.

Such reductions might still be compatible with some lowering of the public borrowing target if revenues remain at their present buoyant levels.

Among other possible budget measures, Mr Lawson is thought to be considering the introduction of tax incentives to encourage profit-sharing and a further re-structuring of National Insurance contributions to encourage low-paid employment.

He also faces calls from the City for the abolition of stamp duty on share transactions, but there are doubts whether such a move would be politically attractive after the latest spate of City scandals.

Pension funds 'earn 23% return'

By Barry Riley

BRITISH pension funds are likely to have earned returns of some 23 per cent on average in calendar 1986, according to figures produced by the WM Company, a specialist performance measurement company which monitors the results of more than 1,000 UK funds.

Pension funds have now benefited from abnormally high returns for five years in succession and have earned more than 20 per cent per annum in five out of the past seven years.

This means that surpluses in many of the funds are continuing to grow, leading to further pressures for "contribution holidays" and suggesting that attempts to strip surplus assets out of the funds could continue to cause controversy.

WM's preliminary estimates indicate a 23.3 per cent return (income plus capital growth) for 1986, based upon the asset distribution of a typical fund, including property.

Philip Bassett reports on an ambitious international recruitment drive

Unions set their sights on IBM

THE chances of expanding union membership in the predominantly non-union IBM, the world's largest computer company, may now be better than ever due to a prospective change in the company's practice of not making lay-offs.

This is the conclusion of a report on the company prepared for a conference opening today in London at which representatives of unions from 24 countries will discuss strategies for increasing unionisation in IBM. Mr Norman Willis, general secretary of the Trades Union Congress, will address the conference today.

The organisers – three international union confederations, covering metalworkers, white-collar employees and communication workers – claim that the initiative is "one of the most ambitious trade union organising projects ever attempted."

The conference marks a significant heightening of trade union interest in recruiting members – no matter how difficult the task – in the growth high-technology sector.

Mr Herman Rebhan, general secretary of the International Metalworkers' Federation, one of the union groups producing the report, said yesterday that the document, The IBM File, would be sent free of charge under plain cover to an IBM employee who requested it.

After the conference, the unions plan to set up toll-free telephone lines in countries where the facility is available and advertise their numbers in areas where the company has plants, so that IBM employees can call for information on the company and about unions.

The report's conclusions, based on a specially conducted international union survey, with replies from more than 50 countries, are stark. It says that of 405,000 IBM employees across 130 countries only about 10,000 are union members – predominantly in West Germany, where 2,670 members are claimed, and in Sweden, where the report says there are 2,000.

The survey includes comments on the company from unions across the world. "IBM workers are unable to organise themselves for fear of punishment by the management," report unions in Sri Lanka. "The management is all attention and caution to prevent any attempt to organise a trade union," say Korean unions. Unions in Trinidad say: "Discussions with IBM workers indicate that the management of the company states clearly that, if workers unionised, the company would close its operations."

It says that "the picture presented on the state of union organisation in IBM is hardly encouraging. To make any progress will require an effort sustained over a long-term period, with little assurance of success."

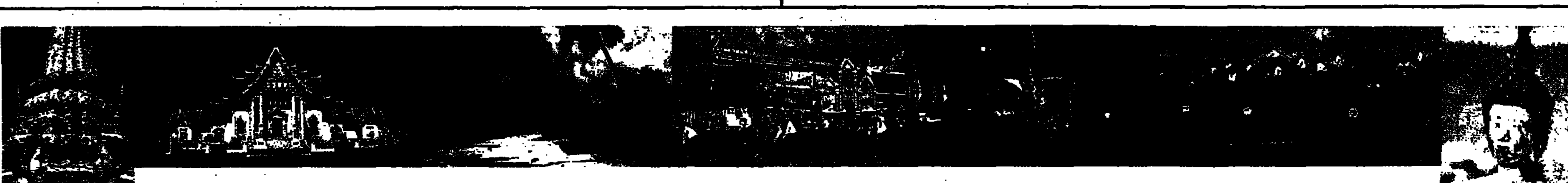
Insisting that a trade union strategy for IBM "cannot be based on speculation and hope" and must recognise that many of the conditions in which the company operates – including its above-market levels of pay and its no lay-off practice – are inimical to trade unionism.

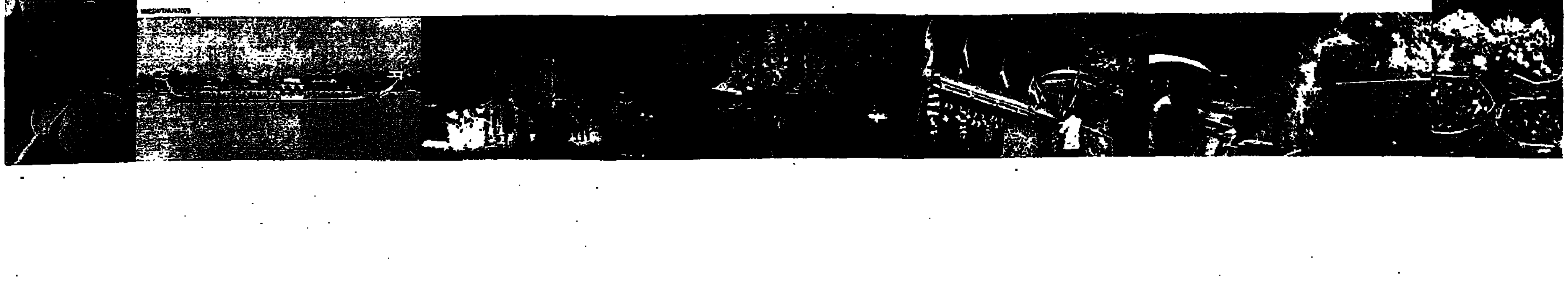
Bul it says that "the profit squeeze currently being felt by IBM and measures taken to deal with it" – including indications that it might be forced to modify its no lay-off provision – "might be expected to create a climate more propitious to union organisation in the company."

The union report says that, should the company's favourable employment conditions not be sustained, "then the more negative aspects of IBM's strategy to remain union-free may come increasingly to the fore and could in turn contribute to the growing appreciation of the need for strong unions in all of IBM's operations."

Though the report accuses the company of a "virulently anti-union attitude," IBM says that it is neutral towards trade unionism and points out that union representatives sit on company councils in plants in a number of countries in which it operates.

The IBM File, by IMF-PTTI-FIET. IMF, 54 bis, Route des Acacias. CH-1227 Geneva, Switzerland.





THE MONDAY PAGE

Ascent of company man

Denys Henderson, ICI's chairman designate, talks to Tony Jackson

DENYS Hartley Henderson, MA, LL.B, is a round peg in a round hole. He works for ICI, he is good at it, he likes it. Next April Fools Day, at the age of 54, he will become its youngest chairman.

He is in a different mould from the outgoing chairman, Sir John Harvey-Jones, whose calculated eccentricities, combined with astute use of the media, have made him perhaps Britain's best known industrialist. Henderson has a sense of humour and the quick intellect of the top-flight industrial manager, but he is a corporation man. ICI made him and he is about to have a crack at making ICI.

His background is pure Scottish bourgeois, though he was born and spent his first three years in Sri Lanka, where his father was a tea planter. "My father had started out to be a chartered accountant," he says. "He decided he didn't like it and then, like a lot of Scots, he went for the glamour of the East.

"I think he always felt the lack of a qualification and both my parents always felt very firmly that I should go to university. They had the Scottish respect for education and although they weren't poor, there was always a concern about security."

Henderson junior proceeded from Aberdeen Grammar to Aberdeen University, from which he emerged after five years with an ordinary MA in French and English, another degree in law and solicitor's articles.

Then what? "I was incredibly naive in those days. Industry wasn't a thing you contemplated—in any case, before the oil came, Aberdeen was noted only for fish, granite and transport.

"Then one day I was sitting in the library, working on a thesis for a prize in Scots Law, when I came across an article by a man called Richard Lynex, then secretary of ICI. It said that ICI wanted solicitors and barristers, with both English and Scottish qualifications. I had no idea what ICI was, but I quite fancied working in the south."

But first came National Service. Henderson ended up as an army prosecutor—"pitched in as a 24-year-old to prosecute for theft, assault and the odder types of unnatural behaviour. I liked the cut and thrust of the court and having to be fast on my feet. The idea of going back to wills, conveyancing and traffic offences in Aberdeen wasn't on."

He was lured, he says, by the thought of a regular commission. But his fiancee jibbed at the idea of being an Army wife, so he went on to "a never-ending series" of interviews with ICI.

Within a few months he had been posted to Slough, one of the drearier parts of London's outskirts and headquarters of ICI's paints business. "I very nearly left—I was bored to death. ICI didn't work its young graduate intake very effectively in those days, and to move from being a prosecuting officer to drafting three-line letters six times over didn't appeal."

After two years, though, he was sent up to Teesside, to ICI's fertiliser works at Billingham. From there, at 31, he was offered promotion as company secretary to the explosives division, at Ardeer in Scotland. "I was at that stage in life when a lot of people think about moving back home. Within weeks it was clear I'd made a dreadful mistake.

"On my first day I told my wife I didn't know when I'd be back, since by tradition the secretary hangs on till the board have gone. At five to five I was knocked down by the board stampeding out. At Billingham, the lunchtime talk had been about projects. At Ardeer it was about bridge, golf and sailing. Maybe you live longer that way, but it won't do for a young man."

He evidently made his mark, though, for in 1968 he was recalled to Billingham for his first true commercial job, general manager of a new business selling the division's processes to outsiders.

"For four years that was a hell of a lot of travelling.

"I have a theory that bright young men coming up have to go through their period of pain and suffering. A lot of them are fine at putting their goods in the shop window, but if I'm appointing people it's that period I want to look at."

PERSONAL FILE

1933—Born Sri Lanka. Educated Aberdeen Grammar, Aberdeen University
1957—Joined ICI
1964—New ventures manager, Nobel division
1972—Sales and marketing director, fertilisers
1974—Group commercial manager
1977—Chairman, paints division
1980—Main board director
1986—Chairman elect

By the age of 40 he was back down in London as the group's commercial general manager. "That was quite a senior job—not quite divisional chairman level, but very nearly. It got me into corporate ICI. For instance, I handled all ICI's negotiations with the Prices Commission in the mid-1970s."

Then, in 1976, it was back to Slough—18 years after he had escaped from the boredom—but this time as divisional chairman. "I had three years there. The division wasn't in good shape. It had fallen from grace, but I hacked out costs and when I left they were in pretty good shape."

This included getting rid of about a quarter of the workforce—an action which does not seem to have worried him unduly. Does he regard the workforce's interests as always subsidiary to the shareholders'?

"There are a lot of answers to that and none of them simple. But the board are ultimately responsible to the shareholders, and our primary responsibility is to run an internationally competitive business."

The same answer applies to salaries. In 1984, ICI raised the chairman's pay by 68 per cent, it now stands at £313,000 a year. How does this sit with the drive to keep down shop floor wages?

"It comes back to being internationally competitive. You have to ensure that managers' pay is internationally competitive, and also that you have an internationally competitive cost base."

That sounds like an inexorable formula for widening differentials between managers and the rest. Henderson, a manager to his backbone, says: "Inexorable? I only wish it were."

Some of this seems to imply a political stance rather different from Harvey-Jones's well-publicised personal support for the SDP. Henderson is having none of it. "John has always made it clear that the chairman of ICI must be apolitical, in the sense of being able to work with either party. How I vote is an absolute private matter, between me and my conscience."

It is possible, though, to make certain deductions. His view of Mrs Thatcher's Britain, for instance, is almost wholly favourable, although he is careful to speak only from the ICI viewpoint.

"Bearing in mind that the UK is less than 4 per cent of the free world chemical market, there is some growth in the economy, sterling is at a competitive rate and inflation is much better than it was. Our technological heart will continue to be in Britain—we're basically an inventive race and ICI spends 80 per cent of its research budget here."

But would he not agree with some of his researchers, that spending cuts in British universities are jeopardising ICI's scientific base? The answer is characteristic.

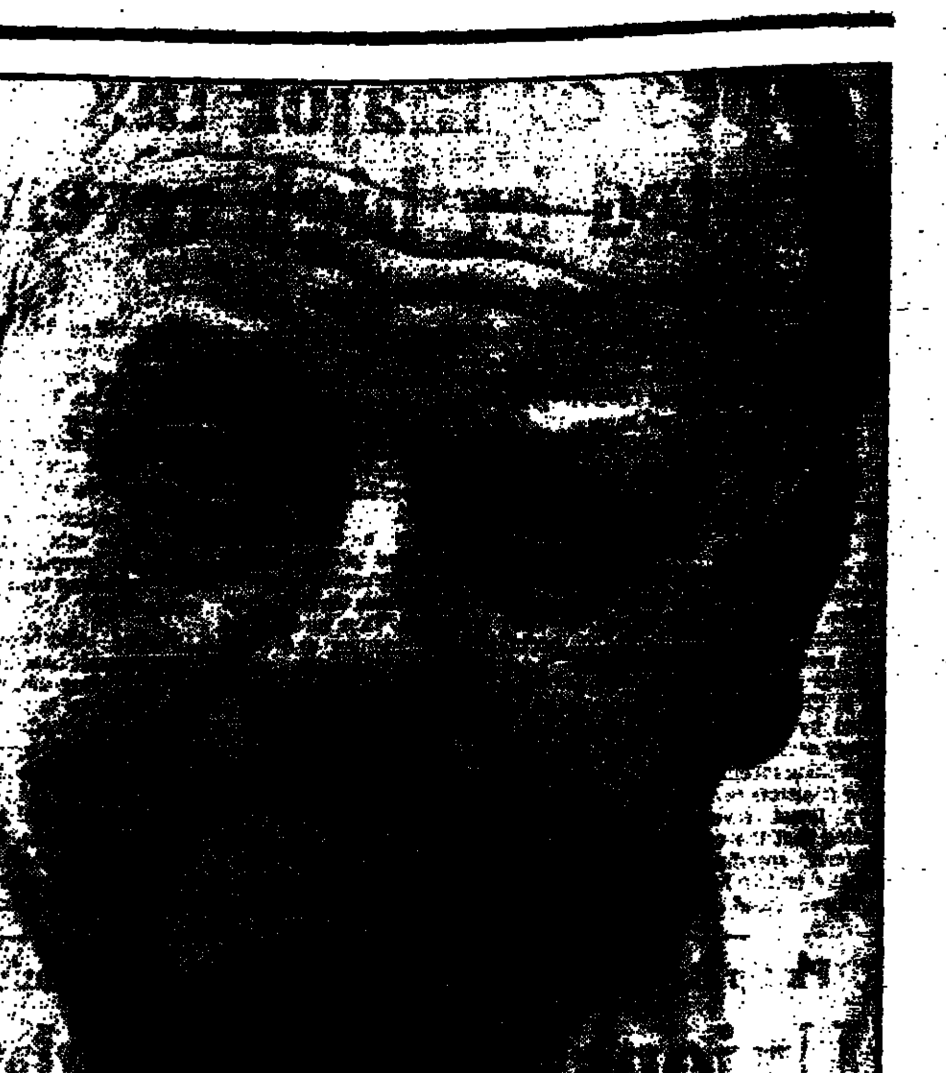
"I think the universities have been going through the same process as industry of re-orienting their goals to what the market needs. Some vice-chancellors may now say they don't have the resources, but equally I've spoken to vice-chancellors who say 'yes, our cost base was too high and we weren't necessarily teaching the right things'."

In 1980 he moved on to the main ICI board and last March he was appointed as successor to Harvey-Jones, who retires in April at 62.

It is a remarkably swift progress up the corporate ladder. How has he done it—office politics? Back-stabbing? "Absolutely not. At the end of the day, ICI is a fair culture. You progress if you've a track record. The trimmer — and we do have them — gets found out here. There's too much talk at the junior level about politics. I simply don't believe in the picture of the executive who works his way up that way."

As chairman, he will be directly responsible for the employment and prosperity of more than 100,000 people. Is this a thought to produce nightmares?

"You arrive at the job pretty well trained for responsibility and crisis. You do have the odd moment of thinking 'my God' but it's not a paternal responsibility, it's a devolved one. It goes out to people in Auckland or Delhi who have their own feeling of responsibility, and that dilutes it."



Ashley Ashwood

Is the power of the job diluted accordingly? "Well, there's certainly less power than you think. I'm becoming conscious that if you're not careful, the machine will pick you up and circumscribe you. There are things you're obliged to do, but you've got to fight for your own headroom."

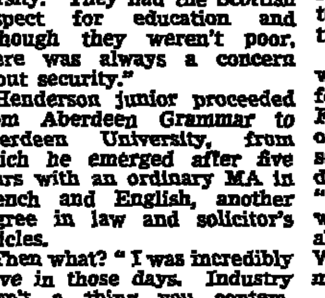
Would he regard himself as a fighter—or, indeed, as a Scottish hard man? "I like to win, no question. But a hard man? Well, I like professionalism, I'm fairly disciplined, I don't like sloppy work, I don't like discourtesy and people turning up late. Nobody arrives at ICI board level without some determination and steel in his character—the lads who make it here are achievers.

"Does that make you hard? I'm warm towards people, but you can't expect to be loved—you need the courage to take the unpopular decision. And even though we all want to be loved, I've found that human gratitude is a remarkably ephemeral emotion."

Passing on from that slightly chilly thought, the question arises of whether a life in ICI is a life well spent. While he could hardly be expected to say otherwise, his answer seems patently sincere.

"I've searched my conscience and memory to see if I could have done something else, but not really. I've had such a wide variety of jobs, and it's been immensely satisfying from the point of view of challenge. And, though it sounds corny, people in ICI are nice people."

Labour's other schism — The dynamic one



By John Lloyd

YESTERDAY'S Weekend World poll projecting a third Tory Government with a majority of about 100 seats throws another shovelful of sand on Labour hopes that had been flickering in the New Year. The dashing of such fragile optimism is the cruellest of political tortures, breeding yet more dismissive coverage of Mr Neil Kinnock in the media, which he like everyone else in public life who has suffered this kick-'em-when-they're-down malice—has grown visibly to hate. (When Mr Kinnock hates, he hates visibly, even physically.)

He cannot say it is unfair, because the hard game of politics which he has chosen to play reserves only oblivion for its cry babies. But it *is* unfair, not so much on Mr Kinnock and the Labour Party, as on the country. We *need* the opposition parties to be pressing harder, we need them to *lead* in the polls. So much needs to be done, so many issues and problems need the attention of fresh and keen minds (there are many of those which have been out of power too long), there is such a store of poverty, social anomie, weary cynicism and outcast lawlessness.

Here is a provisional list of areas where urgent repairs on the national fabric are badly needed: they are those which have been generally identified, if not always in popular debate, as being urgent, and are often not in themselves a matter of political controversy (though their scale and the remedies proposed to cure them, are).

- Relatively low educational and training standards, according to any league of advanced industrial countries.
- Inadequate and worsening housing stock, growing homelessness.
- A declining and relatively inefficient (in many areas) manufacturing industry.
- Rising crime, especially in the inner cities.
- Very high unemployment, especially long-term unemployment.
- An increase, by most measures, in the numbers of the relatively poor.
- A decline in research and development. Allied to this, a continual leeching away of high-calibre researchers and academics.
- A worsening trade balance.
- Inefficient delivery of services, in both public and private sectors, especially to the poor.
- Relatively high interest rates.

Well, says the voter who has grasped the gravity of these matters and is not impressed by government claims that "they're coming right under our policies," well, if the opposition parties cannot make something of *that* list, then they constitute another area of gross national inefficiency. Is this not the reality underlying Mr Bryan Gould's charge, made after the Labour Party's Bishop's Stortford conclave on electoral strategy, that the Government exemplified "extremism, incompetence, dishonesty and destructiveness"? In answering the question, I concentrate on the Labour Party not because the Alliance's prospects are not important—they are crucial—but because the two Alliance parties will not be unveiling their electoral pitch until later this month while Labour, at Bishop's Stortford, has already given some indications what its will be.

As counters to the above list—it could be extended, though perhaps controversially—the Conservative pre-electoral machine has so far developed three deterrents: defence; "loony left" local authorities; and (emerging) Mr Kinnock's inexperience, and therefore unfitness to be Prime Minister.

But are these deterrents enough to fend off Labour's challenge? Labour's defence policy, deservedly its weakest link, is *actually still being made*: it is clear from the pronouncements of its senior Shadow Cabinet members that it is yet to decide whether US nuclear bases are to be ejected come what may, or made the subjects of open-ended negotiation. (Mr Denis Healey, Labour's Shadow Foreign Secretary, already and publicly speaks as though they will be.)

The "loony left" councils do bad things, but the worst are some in Inner London and on those the Labour leadership has already declared quiet war. Their days of irresponsibility—the Audit Commission will shortly issue a report identifying eight of them as inefficient providers of services to those most in need—must soon be up. As for Mr Kinnock's inexperience—his track record over three years in transforming himself from freewheeling lefty talent to dominant party leader, and in transforming his party from the shambles the (much more experienced) SDP leaders confidently assumed it to be is as impressive as Mrs Thatcher's performance on the opposition front benches after the Tory defeat in 1974.

Labour's problem—though it need not be electorally fatal—is that its ideological leadership has not fully been captured and focused by a single, unmistakable, dominant and internally coherent political strain, as the Conservative Party was in the mid-1970s.

Of more importance than its Trotskyist groups—which certainly remain a liability still—are the divisions within the party. On one wing is ranged the largely urban-based, largely local-government oriented left which is hostile to capitalism and at best sceptical of NATO, and has a real following among public sector workers, some ethnic groups and a sizeable young professional layer. On the other stand the social democrats (in the old usage of the word) who accept much of the market, embrace much of the present structure of international alliances (including the commercial and industrial ones) and who seek to develop labourism as a modern reformist governing style in which the entrepreneur and the doing-nicely-thanks technician can both feel unconstrained and comfortable, yet through which at least some of the dispossessed can gain a modest share of the freedom which more money and a job bring. Mr Roy Hattersley's forthcoming book "Choose Freedom," attempts to theorise the latter: it is clear from reading it that, despite all his elegant diplomacy, he has little time for the "urban left" brand of Labour supporter.

This division is not, for all that, as sterile as that between the party's revolutionary sects and the leadership; the relationship is dynamic, with a reformist current running through both sides, and some agreement on some means, if not so much on ends (which are not, anyway, often stated). But the election—if Mr Hattersley is right about it coming in spring—may catch Labour half way out of its old skin, yet not fully transformed from old-left, corporatist reflexes, still inhibited about tackling many of its "own side's" abuses and its own inhibitions about thinking radically in dusty areas. That, though, is not the same as being unfit to govern: arguably, indeed, government may accelerate the transformation process. Government-to-be or not, Labour's transformation *will* go on.

The author is editor of the New Statesman.

Dangers of retrial by television

JUSTINIAN

MISCARRIAGES of justice present a peculiar problem to the administrators of the English criminal process. The Englishman's insistence on speedy finality in all litigation means that once a person has been convicted on indictment of a criminal offence, and has had any appeal dismissed, there is no possibility of getting his case back before the courts, except with the permission of the Home Secretary.

In most other legal systems of the civilised world, the courts are willing at any time to entertain further appeals, if further evidence comes to light. It is the judiciary, and not the executive, therefore, that determines whether wrongful convictions should be re-examined.

This week Mr Douglas Hurd, the Home Secretary, will announce his decision whether to refer to the Court of Appeal the cases, from the late 1970s, of those convicted in two IRA bomber cases—those convicted for the Birmingham bombing and those similarly found guilty for the one at the Guildford public house.

Both those cases have aroused considerable agitation—in the media and in books which studied the evidence in detail—over the propriety of the two juries' verdicts. Many eminent people have joined the chorus of complaint that injustice has been perpetrated in both instances.

Whether the two cases are to go back to the Court of Appeal is a matter entirely for the Home Secretary. His decision not to refer them would be virtually unchallengeable, although his refusal would not lessen the activities of those committed to a watchdog role over the products of the criminal process. Organisations, such as Justice, the National Council for Civil Liberties, and writers like Mr Ludovic Kennedy, have been in the forefront of a campaign to obtain a wider use of the powers to refer dubious convictions to the appeal court.

The Home Secretary has at present two powers. One is to refer a particular point to the court for its opinion. The court then answers that point for any action by the Home Office.

The second power is much wider. The Home Secretary can refer the whole case. If he does, it is the whole case and nothing less than the whole case of the convicted person that is put under renewed judicial scrutiny. The law provides that where the whole case is referred, the Court of Appeal treats it for all purposes as an appeal.

The admission of fresh evidence is dealt with in exactly the same way as it would have been in the original appellate process. There is much confusion in the public mind, however, as to what constitutes fresh evidence.

Unless the court thinks that the "new" evidence tendered would not afford any ground for allowing the appeal, it must receive the evidence so long as two conditions are satisfied. The evidence must appear to the court to be likely to be credible and to have been admissible at trial; the court must also be satisfied that it was not adduced at the trial, but that there was a reasonable explanation for the failure to adduce it. These conditions are fairly stringently applied.

The judges are justifiably wary of accused persons who are deliberately lax in accumulating all the relevant evidence at the time of their trial and then concoct some new story, often based on statements from fellow prisoners. But the court always has an overriding power to order the production of documents or order the attendance of witnesses if it thinks it necessary or expedient in the interests of justice so to do.

The Court of Appeal has not hesitated to use these powers whenever an injustice is thought to have been uncovered. On the other hand, the court has not been helped by some wild assertions of miscarriages of justice. Twice last year the Lord Chief Justice went out of his way to castigate two BBC programmes, Rough Justice and Out of Court.

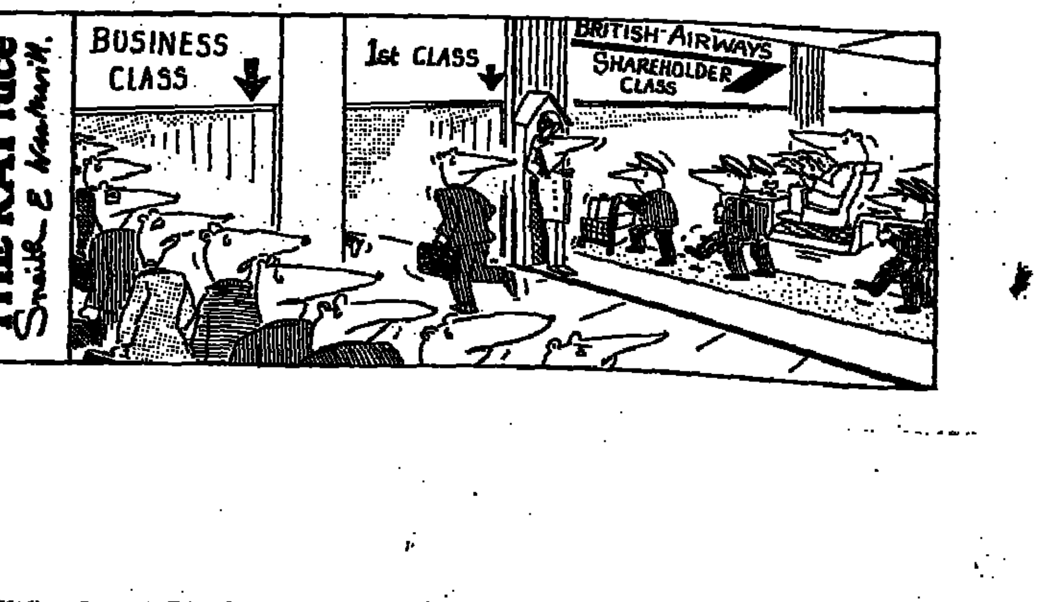
There is a growing feeling among the judges and the legal profession as a whole that too often the starting point of such programmes has been to find a case that has aroused (or will arouse) public excitement, either because the case is notorious and has been the subject of agitation on the part of groups of reformers, or because there is thought to have been some impropriety by the prosecuting authorities. "New evidence" is then discovered which, it is claimed, casts a fresh light on the validity of the conviction. Sometimes the "new evidence" is not even new. It does not fulfil the requirements of the law, or if it is truly fresh evidence—and even if it is credible—it is so marginal to the case against the convicted person that it cannot throw any real doubt on the jury's verdict.

There is then employed a technique which seeks to support the programme's aim of persuading the audience that injustice has been done. Some respectable legal figure is approached to give an opinion. He is usually told the bare facts of the case and asked to make comments on some general aspect of the trial process. That person's generalised opinion is then slotted into the programme to make it appear that his opinion has been delivered only after a close examination of the particular facts of the case under discussion.

The programme makers, who exhibit the proper motive of furthering the ends of justice, are performing a public disservice. They will quickly dissuade lawyers, who have recently come out of their shells and taken part in a valuable service, from subjecting themselves to a process that trivialises an important issue or detracts from its function of persuading the authorities that there really is something that needs seriously to be investigated. The result of those programmes is fast becoming counter-productive.

Some years ago the famous crime writer, Erle Stanley Gardiner, established what he called "the court of last resort." He gathered together a number of eminent people in the private practice of the law and asked them to conduct a private inquiry and make a report, which was then published in a respectable journal, Atlatic Monthly. Their reports led to a number of convictions being overthrown and prisoners released from prison.

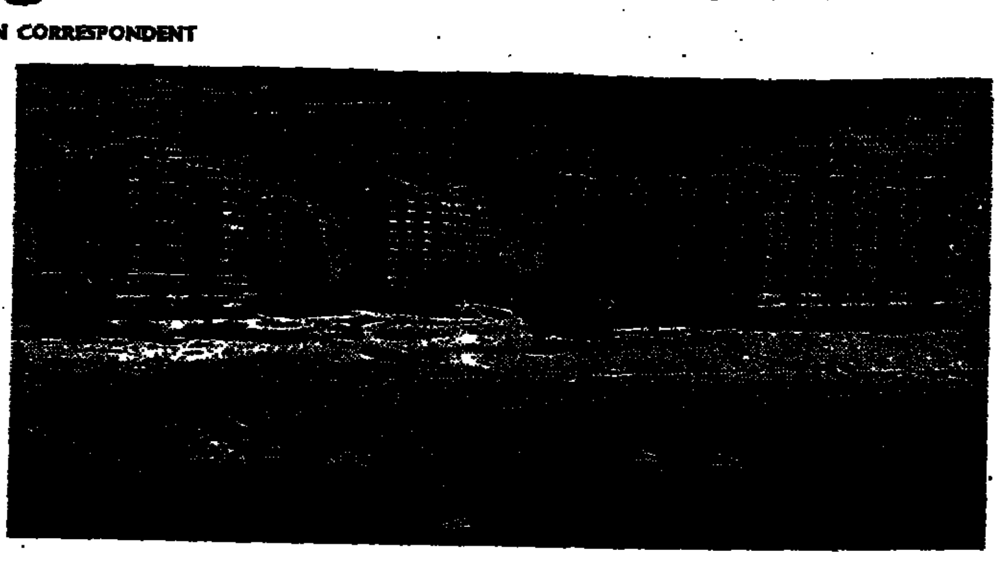
There is a need in this country for some similar organisation, which will study suspected cases of injustice and scrupulously examine all the evidence, both old and new, to make sure that the convictions were soundly based in fact and in law.



CONSTRUCTION CONTRACTS

Gambling hotel in the Bahamas

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT



BALFOUR BEATTY BAHAMAS has won a £60m ($85m) contract to design and build a gambling hotel, the 750-room Crystal Palace, in Nassau, Bahamas, for the Florida cruising company Carnival Cruise Lines of Miami.

The contract is the first to be won by Balfour Beatty's Bahamas-based company.

This was set up in 1986 to cater for the growing demand for construction work in the Caribbean in the wake of a new tourist boom.

Demand for new hotels is now particularly strong, said Mr John Deverson, UK business manager for Balfour Beatty Bahamas, as Americans, deterred by bombings in Europe, decided to take their vacations nearer home.

The contract to build the Crystal Palace Hotel—which is being funded by Carnival Cruise Lines—was awarded after negotiations on both price and speed of building, Deverson explained.

The runner-up for the contract was a German contractor, the Hamburg-based Coutinho Caro.

BBB will be building the hotel from an outline brief provided by Carnival Cruise, "and the challenge will be getting it designed and built in two and a half years," said Mr Deverson.

The new hotel complex will provide extra accommodation for tourists in the increasingly popular Cable Beach resort area. It will also cater for gamblers in the adjacent casino, which is to be refurbished.

The project comprises an 11-storey tower block of 225 bedrooms next to the casino, four 11-storey atrium tower blocks providing a further 525 bedrooms, a 1,600-seat convention theatre and all associated public areas.

The total new building area is 770,000 sq ft. The contract also includes the demolition of the existing Emerald Beach Hotel.

Deep water jetty

EDMUND NUTTALL has been awarded an £18m contract by the Property Services Agency to build a jetty into deep water at the Royal Naval Armaments Depot at Crombie on the River Forth. Work starts next month for completion in 110 weeks. A 260 metre long rock causeway will form the approach to a 550 metre-long jetty of composite precast/insitu concrete construction supported on driven steel tubular piles, giving access to a 250 metres long deep water jetty head of similar construction. Mooring dolphins of insitu concrete capping on driven tubular piles will be joined to the jetty head by steel framed catwalks. There will be 306 tubular piles up to 70 metres long. A jetty support building and three travelling luffing cranes, all located on the jetty head, are included in the contract together with mechanical and electrical services, fendering, bollards and other jetty furniture.

Nuttall start work this month on the tidal basin pumping station — phase 3 of the Royal Docks drainage contract for the London Docklands Development Corporation. This £5m contract includes construction of an 8 cu metres storm water pumping station complete with mechanical and electrical installations, superstructure and external works. Concrete caissons will be sunk to form main sumps with reinforced concrete bases, walls and floors to form pumping and screen chambers and water courses. Above ground works comprise a reinforced concrete discharge chamber with ancillary areas housing control equipment, messing facilities and switch rooms with separate screen house. External works comprise hard paved perimeter areas, drainage, soft landscaping, fencing and underground services. The contract period is 78 weeks.

Recently started are the on site distributor roads at the Winnersh Triangle Business Centre in Berkshire where Nuttall has been awarded a £650,000 contract by Bovis Construction, whose client is Slough Properties, to extend and link up Wharfdale and Eskdale Roads together with main drainage and accommodation works. The contract period is 22 weeks.

Three contracts at Ramsgate Harbour for Thanet District Council, totalling £670,000, complete the list. The largest is for additional lock gate works at the entrance to Ramsgate Yacht Marina where a single skin steel flapgate, new reinforced concrete piers within cofferdam and service diversions are involved. Value is £450,000.

★

BOVIS CONSTRUCTION has been awarded two contracts worth over £1m for work at Owen Owen stores in Liverpool and Shrewsbury.

£30m for Hall & Tawse

HALL AND TAWSE CONSTRUCTION has secured over £30m of construction contracts spread throughout the UK. In the north east of Scotland, a contract worth £2.27m has been awarded for the A96 Bucksburn-Tyre-bagger Hill dual carriageway, near Aberdeen, and sheltered housing for the City of Aberdeen at Whitestripes Way and Great Northern Road at £2.27m. In the north of Scotland, three road contracts on the Isle of Lewis, worth £1.1m, have been secured. Factory units at Alness, modernisation of 54 houses at Dingwall and refurbishment of a barrack block at RAF Kinloss have also been accepted at a value of £1.23m. A clutch of smaller contracts in and around Inverness amount to £800,000. In the south of Scotland, Hall and Tawse is to modernise flats at Waverley, Drumchapel, value £1.2m, 16 houses at Bathgate, £391,000, and factory units for the Scottish Development Agency at Tollcross worth £826,000. Orders worth £20m have been won in the south of England. The largest contract worth £8.1m covers 154 married quarters at Reading for the Property Services Agency. Housing developments in partnership with local authorities at Andover account for £2.8m, Lancing (Sussex), £1.81m, Tadworth (Surrey), £1.29m, High Wycombe, £1.26m, Guildford, £920,000, Chippenham, £870,000, Haslemere, £890,000, and Charminster (Dorset), £670,000. A £960,000 contract comes from the Property Services Agency for 68 married quarters at RAF Headley.

Refurbishment in Greater London

WALTER LAWRENCE (CITY) has been awarded six contracts in Greater London, worth a total of £3.5m. At 19-21 Old Bond St, W1, the company has started work on the £1.75m extension and refurbishment of an office building for Iliffe Properties and Pearl Assurance over a 52-week period. The £1.1m repair and refurbishment of seven blocks of flats at Bishops Bridge Rd, W2, for Elystan Developments, and the £184,000 repair of Calvert House on the White City Estate, Australia Rd, W12, for the London Borough of Hammersmith and Fulham, are also in hand. Walter Lawrence will also be carrying out external repairs and decoration to Waltham Cross shopping pavilion for Electricity Supply Nominees Property Management Company at a cost of £175,000, and a £60,000 phase IV of the refurbishment of the Almeida Theatre in Islington.

Upgrading bus garage

FAIRCLOUGH BUILDING is adding another 30 year's life to London Buses' Fulwell Garage in Wellington Road, Twickenham. As management contractor for the £2.2m scheme, the southern division is responsible for management, organisation, supervision and security on the project, which aims to upgrade and remodel the 80-year-old garage to extend its life well past the year 2000. Major elements are the construction of a new garaging area and refurbishment of workshops, staff accommodation and offices. New mechanical, electrical and special services are being installed in the existing building. London Regional Transport is providing architectural and engineering services for the project, which is programmed for completion towards the end of 1987.

APPOINTMENTS

Reorganisation at United Biscuits

Three senior appointments have been made within the UB International and UB Restaurants divisions of UNITED BISCUITS. Mr Edward Woods is to join United Biscuits on February 2 as managing director of UB International and will be responsible for continuing the development of the group's overseas joint ventures, including technical know-how and royalty arrangements. He was managing director of a joint venture operation in the Middle East. At UB Restaurants, Mr Max Woolfenden has been appointed managing director of Wimpy International and Mr Jo Stewart becomes managing director of Pizzaland International. These are internal promotions and follow the appointment in December of Mr Ian Petrie, formerly managing director of Wimpy, to the newly-created position of chief executive of UB Restaurants.

★

ABBEY LIFE GROUP is making a number of organisational changes primarily in the sales and marketing area. Reporting to Mr M. G. (Gary) Jones, general manager and director, sales and marketing, will be Mr R. M. (Ralph) Peters, director and head of agency—the group's major sales channel; Mr J. G. (John) Davies, head of

Mr Gary Jones, director of Abbey Life Group

group marketing, responsible for a centralised marketing function providing strategy, product management and operational support to all sales channels; Mr D. G. (David) Glasgow, director of institutional sales, spearheading the sales development of investment products to the corporate and pension market whilst further capitalising on unit trust sales; and Mr C. D. (Chris) Evans, commercial director, a new appointment encompassing product development with the establishment of a financial advice centre which provides insurance and investment advice to all sales channels and directly to the consumer.

The Rev. Dr Kenneth Slack has been appointed chairman of SCM PRESS in succession to Canon Trevor Beeson, who is about to become Dean of Winchester.

★

Mr Paul Buchanan-Barrow and Mr Paul Turner, executive search consultants with GODDARD KAY ROGERS AND ASSOCIATES, have been appointed to the board.

★

RILEY LEISURE has appointed Mr Graeme Tully as group finance director. Mr John Casey becomes company secretary.

★

ROBINSONS & SONS, Chesterfield, has appointed Mr Philip Robinson as chief executive in succession to Mr David C. Robinson, who remains a director. Mr David F. Robinson, company secretary, becomes a director. Mr Stewart Wallis is appointed divisional managing director of the packaging division.

★

MARLBOROUGH TECHNICAL MANAGEMENT has appointed Dr J. R. Adsetts as a director. He will retain his responsibilities as managing director of Marlborough Biopolymers.

★

PROVINCIAL LIFE ASSURANCE CO and PROVINCIAL PENSIONS has appointed Mr David Baker as legal services manager. He was pensions solicitor with United Kingdom Provident.

★

Mr Peter Happé has been appointed a director of ARTHUR YOUNG CORPORATE RESOURCING, executive search arm of the Arthur Young Management Consultancy practice. He joins from Sealink British Ferries, where he was divisional director of the ferries division following the company's privatisation.

★

As a result of the acquisition of THE ENGLISH TRUST by PKbanken of Sweden, Mr B. Danielsson, chairman, Mr R. Barneus, Mr C. Ragner and Mr A. Smids have been appointed to the board and Mr S. Keynes, Mr I. McNab and Mr M. Stone have resigned. At the end of February, the company will be known as PK English Trust.

★

R. WATSON & SONS has appointed Mr C. G. Singer, Mr N. F. Silby, Mr A. T. G. Halls and Mr N. J. Dumbreck as partners. Mr Michael Oppe becomes consultant.

★

NATIONWIDE BUILDING SOCIETY has appointed Mr Christopher Weston as a director. He is chairman and chief executive of the Phillips Group of Fine Art auctioneers and valuers. He is also a director of Headline Book Publishing and F & C Pacific Investment Trust and is chairman of Bradford Peters (Holdings).

★

BRITISH CREDIT TRUST, a wholly-owned subsidiary of Bank of Ireland, has appointed Mr Robin Ford as credit director. He was director of administration at Citibank Savings.

★

Appointed to the ABACO board are Mr Michael McWilliam, group managing director of Standard Chartered, and Mr Hamilton Verschoyle, senior partner of Hampton and Sons.

★

THE NORTH BRITISH DISTILLERY has appointed Mr William S. Thomson as director.

★

Mr Michael Jaquiss has joined the Speyhalk subsidiary, THAMES VALLEY PARK, as managing director. He was managing director of Rosehaugh Project Services.

★

Mr Ian S. Beck has been appointed contracts director for CLARKE CONSTRUCTION (MIDLANDS). He was production manager.

★

Mr Gordon Hardstaff, managing director of the English operations of the processing division of Christian Salvesen Food Services Europe is the new president of the NATIONAL COLD STORAGE FEDERATION.

★

Mr Tony de Guingand has been appointed chairman of the LONDON SOCIETY OF CHARTERED ACCOUNTANTS City Group. He is head of risk management, options at the Stock Exchange.

★

Mr Thomas W. Miller has been appointed vice president, CONTROL DATA—EUROPE, replacing Mr Gil Williams who has moved to the corporation's US headquarters to develop the computer systems business worldwide.

★

Mr K. R. Hodgson has been appointed chief executive of PARC. Mr Hodgson was chief executive of Chloride Group.

★

Mr Clive Hawker has joined Lloyd's broker, POINTON YORK VOS, as director responsible for professional indemnity and reinsurance services. He was a director of Furness-Houlder Insurance Services.

★

MOLEX ELECTRONICS has promoted Mr Graham Brock to the board as sales director.

★

SQUIRREL HORN, Stockport, has appointed Mr Patrick Fox and Mr Alan McClue as directors. Mr Fox has taken over as chief executive from Mr John B. Hardy who will continue as chairman.

★

LAWSON MARDON GROUP has appointed Mr R. E. (Robert) Illingworth to the board. He is a director of Lawson Mardon Ltd and is chairman of the folding carton division (UK and Europe), in which capacity he has responsibility for eight folding carton companies in the UK and West Germany as well as Severnside Waste Paper Co and Celloglas.

★

Two board appointments have been made by West Midlands forgemasters — WALTER SOMERS—a member of the Mitchell Somers group. Mr Derek Somers becomes sales director. He is the great grandson of the original Walter Somers who founded the company in Halesowen in 1866. Mr Ken Hadley joins the board as commercial director. He was general manager.

★

Lord Farnham has been appointed an additional deputy chairman of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION.

★

Mr Alan Stanley Davies has been appointed managing director of NORDSEA GAS TECHNOLOGY, Dukinfield. He was financial director and company secretary.

★

Mr John Catling has been appointed marketing director of RUBEROID CONTRACTS, specialist contracting subsidiary of Ruberoid.

★

Mr Tim Readman has joined EBC AMRO BANK as executive director and will be in charge of UK and international equity sales operations. He joins from Merrill Lynch, where he was involved in European equities. EBC Amro Bank has made the following promotions: to executive director: Mr F. Keith Campbell-Golding, Mr Charles van Schelle and Mr Hein Coolen; to assistant director: Mr David Glynn, Mr Willem van Someren Greve, Mr Nigel Green, Mr John Williams, Ms Jane Swinglehurst, Ms Dorothy Hudson, Mr David Hammond, Mr Peter Barnb-Graham and Mr Stanley Tubbs. Mr Geoff Eley has joined the bank as assistant director to set up a property financing division. He has over 15 years' experience in the UK property market and joins from Royal Trust Bank where he was a divisional director responsible for the mortgage department.

★

The new chief executive of the DERBYSHIRE ENTERPRISE BOARD is to be Mr Richard Massey, a banker.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Corporate restructuring

Why Britoil was forced to seek a more athletic shape

BY LUCY KELLAWAY

FROM THE smoked glass, the great expanses of marbled floor, the polished brass and the healthy indoor trees, you might think you were in the head office of one of the new spendthrift City institutions.

In fact the glamorous new building is the Glasgow headquarters of Britoil, the impoverished circumstances of which make a sorry contrast with the carefree prosperity of its surroundings.

The £35m building was ordered in 1982 when Britoil, along with the rest of the oil industry, had little doubt that in four years' time oil prices would be higher, and that it would have grown into a richer and altogether larger company.

Today, the building serves as a reminder that the expectations of the oil industry have not been fulfilled. However, it also stands for a new beginning for Britoil.

At least, that is how the company prefers to see it. During the past few months Britoil has been through the agonising process of shedding 1,000 employees or one third of its staff. Those who remain have moved into the new building from 11 higgledy-piggledy offices scattered around Glasgow, and come together for the first time.

Like every other oil company, in the world Britoil has been adapting itself to a market in which its oil is worth about half its value a year ago. But unlike the others it is also undergoing a more fundamental change—one that will disguise its origins as an overstaffed and somewhat inefficient public sector corporation and make it function like a truly private sector oil company.

However, Britoil cannot be expected to look exactly like other oil companies as its position in the industry is unique. In terms of oil production it is about three times as large as Enterprise, the next biggest independent company, and has more oil acreage in the North Sea than any of the majors.

This wealth in its reserves has made it slow to shake off its public sector persona. Nearly four years after privatisation the company was still heavily overstaffed and resembling a government department more than an aggressive independent oil company. It took the shock of the fall in the oil price to force through changes that were much needed.

Much of the change has been brought about by David Walker, the Australian-born oil man who took over as chief executive about 18 months ago from BP.

Since then he has remodelled Britoil. In addition to the wave of redundancies, he has reshuffled top management, and implemented a radical reform of the company structure, arranging the divisions along functional rather than geographic lines.

Until recently Britoil behaved with all the thoroughness and slowness of the exploration arm of a major oil company, and with none of the flexibility that is supposed to be the strength of the pure exploration and production company.

"David Walker has set about a change in the way the company is managed," says Bob Speirs, the finance director who joined Britoil when it was the British National Oil Corporation. "There is a new structure aimed at making us operate as what we are: an independent exploration and production company that is going to survive by being good technically, financially and strategically."

The appointment of David Walker has given the board of Britoil a more conventional shape. Previously the company had been without a chief executive, and was being run by the chairman Sir Philip Shelbourne, an ex-merchant banker who shepherded Britoil into the private sector.

Beneath him were two managing directors, Malcolm Ford, then the only oil man on the board, and Ian Clark, an outspoken Scot, who had previously been chairman of the Shetland Island Council, and had made many enemies in the industry.

With the arrival of Walker came the resignation of Clark who had been responsible for an unsuccessful $170m move into the US — now being unwound. "We both agreed that there was no appropriate place for him in the new structure," Walker says. Clark has now become chief executive of Clyde Cable.

Perhaps more important than the changes at board level has been the upheaval in the lower ranks of the company. Until last year Britoil was divided into two unequal halves, International and UK, each operating with its own fat budget, communicating badly with the other, and duplicating much of the effort. These have been replaced by divisions arranged along functional lines, with one division in charge of exploration, one finance, one administration, one commercial and so on.

Restructuring the company like this made it possible for "many minds to speak like one," according to Malcolm Ford, now sole managing director. It also made the extent of the overstaffing glaringly obvious, and triggered last year's deep cuts into the organisation.

No part of the company escaped, and some areas like finance were reduced by half—with apparently little damage to the end result. Britoil has promised that there will be no further cuts, and claims to be the right size given its considerable assets.

The pruning process has involved rethinking many of Britoil's established principles. Until this year it was the only company in the North Sea to double up on much of the work done by the operators of fields in which it had a stake. It employed a team of about 50 managers and a pool of 200 staff, whose chief function it was to make sure that the operators were doing the job in the best way possible. Now the number of managers has been reduced to 10, and the teams of specialists to about 30.

A second major change in policy has been overseas, where Britoil's record to date has not been good. The company set itself the target in 1982 of having 20 per cent of its reserves overseas by the year 1990. Its main thrust was into the US, where it bought acreage on expensive terms, and then proceeded to make little of it. In autumn 1986 the decision was made to pull out of the US, on the grounds that it was no place for a UK independent which could not hope to hold its own against the domestic competition.

Now Walker must contend with a major strategic problem. Britoil is the largest pure exploration and production (E & P) company in the world. Almost all its reserves are in the North Sea, which is now past its peak of production and where all of the big fields have probably been found already. It is therefore increasingly important to make a major find somewhere else.

With no prospect of meeting its 1990 reserves target, Britoil has set itself another demanding goal: to have half of its reserves abroad by the turn of the century. While the company freely admits that this is ambitious — and others in the industry doubt whether it is even plausible—the target at least underlines Britoil's determination to expand internationally.

The favoured areas are in Indonesia, Egypt, and South America. Although in most of these areas it will be competing with the major oil companies, it does not seem unduly concerned. "The successful exploration team is one that has an idea ahead of the next man's," says Walker.

However, Britoil's exploration department has the reputation of being not much better than average. "What have they discovered? There was Clyde—and that was about it," says one oil analyst.

Not content with changing the company inside, Walker is also trying to change its image. He talks a good deal about the company's shareholders, and is clearly worried that they take too short a view of things. "The onus is on us to explain," he says. "I want us to give as much information as we can."

In marked contrast to the rest of the sector Britoil sees itself exclusively as an explorer and not as a corporate raider. Indeed its complete absence from the lengthy list of corporate deals over the last year is rather surprising.

While Britoil is ruled out as a takeover target by the Government's golden share, which prevents any change of control, it should be better placed than most to play the predator, drawing on the strength of its balance sheet.

This historic aversion to deals is not something likely to change radically under the new regime. Although the company says nothing is ruled out—even a move "downstream" is a possibility should an appropriate opportunity present itself—its preference for going out and finding oil remains paramount. "If we pretend to be an E&P company, what the heck are we here for—to make acquisitions?" says Ford.

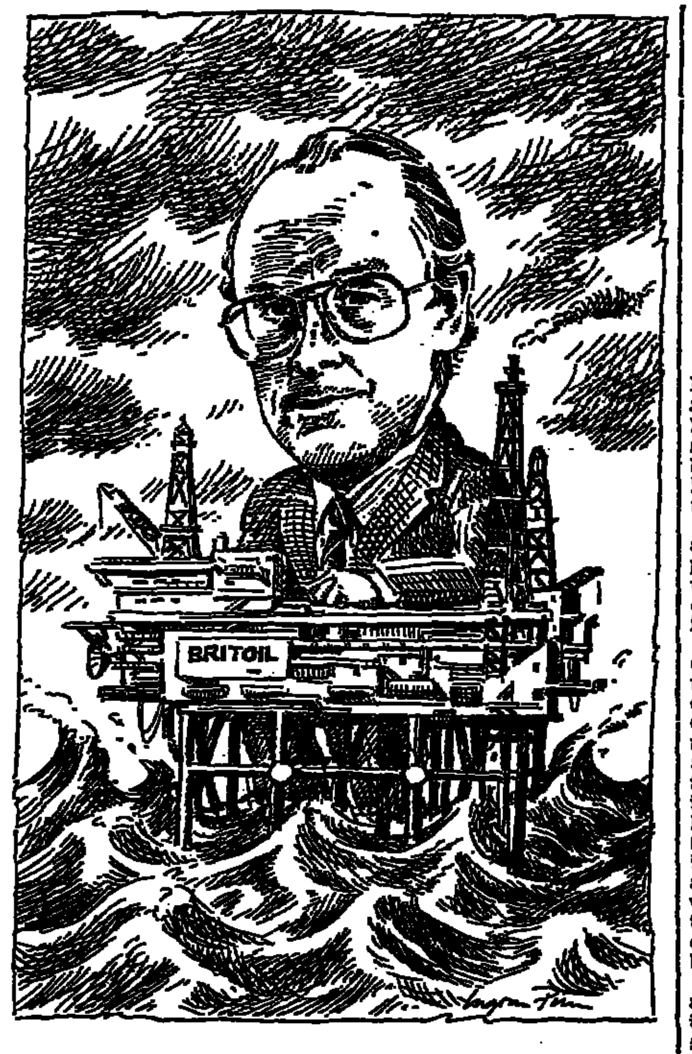
Although hurt by the fall in the oil price, Britoil is not going to be dragged under by it. With more reserves in the North Sea than any other company, it is on better terms with its bankers than most in the sector, and is not overburdened with debt.

The company is now prepared for a "traffic light" future, with three different paths, the choice of which will depend on the oil price. Even under the "red" plan, in which the oil price sticks at $10, Britoil aims to do more than just survive, but to maintain its position in the North Sea. "We would still be able to explore—just—but would have to postpone several oil developments," says Ford.

Under the preferred "amber" scheme, which is in operation at the moment, Britoil will have enough money to go ahead with most of its developments in the North Sea and carry out selective exploration in the UK and overseas.

It is this $15 to $18 future that most analysts agree is the likely one. And in that unstimulating atmosphere it may be a long time before Britoil will be given a chance to shine.

As far as the green light goes, "we don't even look at that. But if the oil price did rise we'd be able to react, don't worry," says Ford.



David Walker: making Britoil function like a private oil company

The young who champ at the bit

Michael Skapinker on the extent to which managers are satisfied with their lot

HOW HAPPY are British managers? Do those who work in large companies harbour a secret desire to run their own businesses? If so, is this an idle dream or do they intend to do something about it?

What about those who already run their own companies? Do they hanker after the regular salary, paid holidays and other perks of life in a big multinational?

An attempt to answer some of these questions was made this week by Gillian Peppercorn of Ashridge Management College and Gill Skoulding of the Cranfield School of Management. In a paper presented to a conference on "Positioning Managers for the Future," Peppercorn and Skoulding said they had found that managers in large and small companies are more likely to wish they were somewhere else than those in medium-size companies or those running their own businesses.

In a survey of 3,000 managers, Peppercorn and Skoulding discovered that the idea of staying where they were appealed to only 48 per cent of managers in large companies (those with more than 2,000 employees). But although 52 per cent said they would like to move out, only 36 per cent said they actually intended to do so in the next five to ten years.

By contrast, 78 per cent of managers running their own business said they wanted to stay, and 82 per cent said they would end up doing so. In small companies, those with less than 200 employees, 53 per cent of managers wanted to stay, although only 43 per cent thought they would ultimately do so.

After those running their own businesses, managers in medium-size companies—between 200 and 2,000 employees—appeared happiest. Sixty-one per cent said the idea of staying in a medium-size company appealed to them and almost as many, 60 per cent, said they would stay.

Overall, although only 10 per cent of the managers surveyed run their own business at the moment, 23 per cent said they intended to do so in five to 10 years' time. Forty-three per cent of managers surveyed, work in large companies at the moment, but only 30 per cent of the sample said they intended to be managers of large companies in five to 10 years' time.

"If we consider both their aspirations and declared intent, the proportion of managers who run their own businesses may double within the next five to 10 years. The proportion in companies of small to medium size is likely to stay constant. The proportion of managers attracted to larger companies may drop by a third." Peppercorn and Skoulding say.

What distinguishes a manager who wants to leave a large organisation from one who wants to stay? Perhaps unsurprisingly, those who want to leave are younger and less experienced. They control fewer employees in their current position than those who want to stay. The movers are also better educated than the stayers. They are twice as likely to have MBAs.

"Do larger companies know that the job environment they offer lacks appeal for over half their managers, and that it is their younger, more educated managers who are showing signs of disenchantment and intention to leave in the foreseeable future?" Peppercorn and Skoulding ask.

The desire of younger managers in large companies to strike out on their own could be dismissed as a pipedream, they say, but that does not answer the question of why those already running their own companies are so much more satisfied with their lot.

"Is there not room for entrepreneurial values and jobs in these larger companies? What actions would have to be taken to foster this climate and keep those with these ideals on board?" they ask.

As reported on this page on December 24 last year, some, such as C. Wesley Morse of California State University, argue than entrepreneurship in big organisations is a delusion. Large well-established companies find it difficult to accommodate the sorts of manager who would rather be running their own businesses.

Company Notices

NOTICE OF REDEMPTION

EUROPEAN COAL AND STEEL COMMUNITY (E.C.S.C.)
US$50,000,000 7¾% Bonds 1974/89

The Commission of the European Communities inform herewith the Bondholders that a selection by lot for a principal amount of US$4,500,000 has been made for the redemption due 1st February, 1987 in the presence of a Notary Public at the Chase Manhattan Bank N.A., New York.

The serial numbers of the Bonds to be redeemed are set forth below in groups from one number to another number, both inclusive, except such as shall have been previously called for redemption or otherwise retired:

3501 through 4500	16501 through 17000	33001 through 34000	45001 through 46000
5001 through 6000	18001 through 19000	37501 through 38000	48001 through 48500
7501 through 8000	25501 through 26500	38501 through 40000	50001 through 50500
8501 through 9000	27001 through 28000	41001 through 41500	
9501 through 10000	30501 through 31000	43501 through 44000	

Principal amount of Bonds purchased: US$ NIL
Principal amount called for redemption: US$4,500,000
Principal amount unamortised after 1st February, 1987: US$9,000,000

The Bonds presented for reimbursement should have attached Coupons due 1st February, 1988 and following, and will be payable in accordance with the Terms and Conditions shown on the Bonds.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

NOMURA SECURITIES CO., LTD.

Further to our notice of September 22, 1986 EDR holders are informed that Nomura Securities has paid a dividend to holders of record September 30, 1986. The cash dividend payable is Yen 10.5 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 11 for payment to the undermentioned agents.

Payment of the dividend with a 15 per cent withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20 per cent on the gross dividend payable. The full rate of 20 per cent will also be applied to any dividends unclaimed after April 30, 1987.

Amounts payable in respect of current dividends:

Coupon No. 11 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$66.28	$56.34	$53.03

In respect of the free distribution of shares (1 new for each 20 old), EDR holders are informed that the new shares are now available for delivery and should be claimed by presenting Coupon No. 12 to the Depositary or the Agent. EDRs will only be issued in Authorised Denominations of 1,000 shares, therefore any EDR holder not able to present coupons making-up an Authorised Denomination will receive the net proceeds of the sale of their entitlement in United States Dollars pursuant to Condition 5 of the Terms and Conditions.

Depositary: Citibank, N.A., 336 Strand, London WC2R 1HB
Agent: Citicorp Investment Bank (Luxembourg) S.A., 16 Avenue Marie Therese
January 12, 1987

A/S JYSKE BANK
US$100,000,000 Subordinated Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from January 12th, 1987 to July 13th, 1987, the Notes will carry an interest rate of $6\frac{5}{16}$% (including the margin of $\frac{1}{16}$%). The coupon amount so calculated will be US$319.13 for denominations of US$10,000 and US$7,978.30 for denominations of US$250,000.

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE
U.S.$65,000,000 FLOATING RATE SERIAL NOTES DUE 1989

In accordance with the provisions of the Reference Agency Agreement between Banque Exterieure d'Algerie and Citibank, N.A., dated as of June 8, 1979 notice is hereby given that the Rate of Interest has been fixed at 7¼% p.a. and that the Coupon Amount payable on July 11, 1987 against Coupon No 16 will be U.S.$182.26 and that such amount has been computed on the actual number of days elapsed (181) divided by 360.

As a result of the principal repayment of $500 per Note due July 11, 1987 pursuant to condition 1 of the Notes, the value of each Note will accordingly be reduced to $5,000.

CITIBANK, N.A., London CSSI Dept. Agent Bank
January 12, 1987

SAMSUNG SEMICONDUCTOR AND TELECOMMUNICATIONS CO. LTD.
US$30,000,000 Floating Rate Notes due 1994
Guaranteed by Samsung Electronics Company Limited

For the six months from 8th January, 1987 to 8th July, 1987 the notes will carry an interest rate of $6\frac{7}{16}$ per cent per annum. The interest payable on the relevant interest payment date 8th July, 1987 will be US$3236.63 per US$100,000 note.

Agent Bank CHEMICAL BANK

NOTICE OF REDEMPTION

GENERAL MOTORS ACCEPTANCE CORPORATION OF CANADA, LIMITED

Canadian $50,000,000 16½% Notes due February 1st, 1989

Pursuant to the terms of paragraph 8 (a) of the Notes, which provides that at any time on or after February 1st, 1987 the Notes may be redeemed at the option of the Company, notice is hereby given that General Motors Acceptance Corporation of Canada, Limited intends to redeem on February 1st, 1987 the Cdn. $50,000,000 16½% Notes due February 1st, 1989 at a price of 100.5% of the principal amount together with interest on such principal amount accrued and unpaid to the said date of redemption.

The redemption price of the said Notes shall be payable on presentation and surrender thereof with all unmatured coupons at any one of the following paying agencies:

BANK OF MONTREAL
Toronto Securities Service Centre
B 1 Level, First Canadian Place
Toronto, Ontario
M5X 1A1
Canada

BANK OF MONTREAL
9 Queen Victoria St.
London EC4N 4XN
England

BANQUE BRUXELLES LAMBERT S.A.
60 Cours St. Michel
1040 Bruxelles,
Belgium

CHEMICAL BANK
Freigutstrasse 16
8002 Zurich,
Switzerland

BANQUE GÉNÉRALE DU LUXEMBOURG S.A.
27 Avenue Monterey
P.O. Box 1906
Luxembourg

CHEMICAL BANK
P.O. Box 17 41 6
Ulmenstrasse 30
6000 Frankfurt 17,
West Germany

CHEMICAL BANK
190 Avenue Charles DeGaulle
92523 Neuilly-Sur-Seine
Paris, France

CHEMICAL BANK
46 Avenue Des Arts
1040 Bruxelles
Belgium

NOTES should be surrendered with all coupons appertaining thereto maturing on or after the date fixed for redemption, failing which the face value of any coupon not so delivered will be deducted from the sum due for payment.

Any amount so deducted will be paid against surrender of the said coupons within a period of 10 years from February 1st, 1987. On and after the date fixed for redemption, interest on the notes will cease to accrue.

Dated at City of Toronto this 15th day of December, 1986.

GENERAL MOTORS ACCEPTANCE CORPORATION OF CANADA, LIMITED

Company Announcements

HAMLIN SLOWE
are pleased to announce that
MR ALBAN GORDON
in the Commercial Property Department and
MS. TRACY GANE
in the Commercial Litigation have been taken into partnership

THE ARTS

Valses Nobles/Sadler's Wells

Clement Crisp

On Friday, Sadler's Wells Royal Ballet officially celebrated its 40th birthday, a happy event made happier by the present which the company gave its audience—the revival of Ashton's *Valses Nobles et Sentimentales*. This was one of the first treasures to be created for the young dancers of the then Sadler's Wells Theatre Ballet in October 1947, and it was inexplicably dropped from the company repertory 30 years ago. Now, thanks to the persistence of its admirers and the memories of some of its original cast, led by Anne Heaton, *Valses Nobles* has been revived under Sir Frederick's supervision, and we have this long-lost jewel restored to us.

Memory had not lied. The colours of Sophie Fedorovich's sets and costumes are as subtly wine-red as ever. The gauze screens and the shadows of potted palms are as delicately allusive in suggesting a ballroom. The dances are as featy responsive to Ravel's score. It is a ballet about young love, about meetings and hints of feeling, made for the artists of SWTB, who were all in their late 'teens, and my only (and minor) quibble is that the present excellent cast is perhaps five years too old. Innocence, the bloom of extreme youth, gave an especial and evanescent quality to the original, when we—survivors of that 1946-47 season—were innocent young things too.

Nevertheless, the ballet is danced with a delightful charm and fluency by its cast, among whom Marion Tait as the central girl, and Iain Webb as the virtuoso boy, are outstanding. A beautiful work has come back unimpaired: how gently Ashton catches the shift and swirl of the waltzes in their alternating moods of happiness and nostalgia, not least in one shimmering coda where Marion Tait drifts in her partner's arms, skimming the stage as lightly as the music coming to its close.

As a pendant to *Valses*, SWRB has revived Ashton's *Capriol Suite* (first made for the Rambert dancers in 1930, and given by SWRB in 1948), which looks buoyant and jovial, and has found in Joseph Cipolla and Alain Dubreuil elegant and ardent suitors for Margaret Barbieri in the Pavane.

This anniversary programme also brought two other samples of the company's choreographic heritage, works made specially for the troupe by its own budding creative talents: MacMillan's *Solitaire* and Cranko's *Pineapple Poll*. *Solitaire* has been given back its original Desmond Heeley designs, and finds in Marion Tait a Young Girl who keeps a tight hold on the sentiment of the piece. The score by Malcolm Arnold brays and bounces with falsest bonhomie, but MacMillan's dances and a bright cast (Mr Cipolla very fine in the pas de deux with Miss Tait) are able to surmount this disadvantage.

Poll was dominated by Alain Dubreuil's faultless Captain Belaye. Mr Dubreuil, as we know from many roles, is an inspired *farceur*, with a devastating wit in underplaying Belaye's alarm as ship-board events get merrily out of hand. (His freeze of disbelief when the supposed crew reveal their passion for him is alone worth the price of a seat). His performance is, alas, not matched by his colleagues, who tend towards a more unrestrained jollity. But after all these years *Poll* is still eminently seaworthy.

And, as a note in passing, let me record that this celebratory evening's audience seemed a reunion of a galaxy of the most distinguished members of the Theatre Ballet, including Nadia Nerina, Mayon Lane, Anne Heaton, Annette Page, David Poole, Pirmin Trecu, Leo Kersley among many, many others. They have reason to be proud of their achievement after 40 years, and to be proud of the work of their heirs in this very happy performance.

An Imitation of Life/Bush

Martin Hoyle

A haunting song in Spanish on the transience of youth; dripping water; a howling wind. The Bush Theatre's acting area, often miraculously expanded into settings of *trompe-l'oeil* spaciousness, now displays rough concrete walls (designer: Simon Vincenzi) propped up by wooden buttresses, rubble seeping in from outside.

The mood of dream-like menace is a trademark of the direction of Pete Brooks, whose fascination with how nature invades urban decay and how the best-laid ambitions of hubristic man can *crumble* has been notably expounded in such shows as *No Weapons for Mourning*. "Shows," not plays, since these stylised patterns of allusion and resonance ignore conventional theatrical forms.

A man and a woman fence, attack, mock and allure each other, addresing each other in the third person. Though scruffy, her backless evening dress and his suit have seen better days. "There are three people in the city," they begin—a sentence that recurs like a refrain. She is Adele, an usherette, he is Bishop, an architect. The unseen Judith, a lawyer, is immobile after a crash. Adele loved Judith before the crash, as did Bishop; now Bishop and Adele are lovers, locked in a conflict for domination.

The man gloats over Judith's injuries, but this apparent sadism is part of an attempt to detect patterns, logic and order. No less than the isolated scientist, we detect the artist, the idealist, even the religious devotee; all three losing contact with the practical world.

She, by contrast, is more aware of the encroaching desert, the engulfing swamp, of how the streets slip and blocks totter as Bishop loses himself in his beloved excavations. While he rhapsodises on the noble city of the future she loots shops in streets pale in an eternal half-light. Claire MacDonald's text illustrates the old male-female contrast, perhaps taking us back to the clash of intuitive and cerebral, back, in fact, to our old friends from *The Bacchae*, disciplined Apollo and instinctive Dionysos.

Jan Pearson and Tony Guilfoyle perform this duet of love and resentfulness (it must have been hell to learn) with unflagging intensity and a mixture of animosity and fierce erotic desire. He, particularly, is a powerful recruit to the ranks of rangy, smouldering Irish actors. Both players hint at multiple levels of meaning that one is still exploring long after the work's 65 minutes have passed.

Jazz and gospel music in City church

Jazz and gospel music services continue in January at St Anne and St Agnes Church, Gresham Street, in the City of London, following successful beginnings for these innovative events two months ago.

Pauline Johnson sang at a gospel service last night. The John Horler trio will lead jazz vespers at 7 pm on Sunday January 25. This trio will also give a lunchtime concert at St Anne's on Friday January 23 (1.10 pm).

Architecture/Colin Amery

Life after modernism at Cambridge

The new residential building for Fitzwilliam College, Cambridge, designed by Richard MacCormac, Jamieson and Pritchard was opened officially towards the end of last year. It is an excellent example of the work of this talented firm of British architects—a firm distinguished by a quiet and yet distinctive series of university and residential buildings of considerable interest and quality.

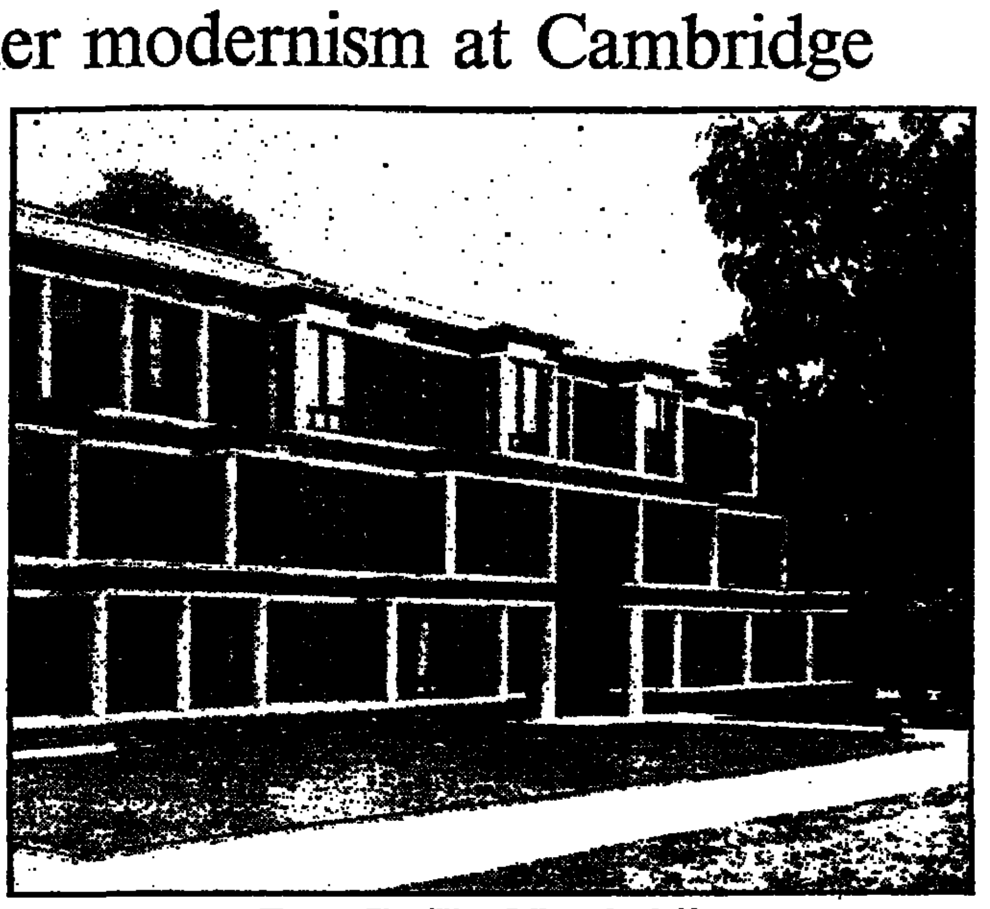
The great complaint about so much recent architecture is that it has no time to allow the influences of the past to affect its brutal progress. Richard MacCormac has always, since he left Cambridge in 1962, been open to the influences of the past that he admires. At the same time he has done what it is the duty of any good architect to do, invented his own recognisable language.

His architectural enthusiasms are the work of Frank Lloyd Wright, the achievement of Sir John Soane, as well as a clear respect for the achievements of Scandinavian architects of the 20th century. I well remember the first small work I saw by MacCormac, a pair of small houses with courtyard gardens that he designed in association with Peter Bell. Even at that small scale there was an individuality of timber detailing and a delightful sense of privacy that was to reach its full flowering later at Worcester College, Oxford.

The Sainsbury Building at Worcester College was officially opened in 1983. It has an intricate section and is ingenious as it slopes down to the college lake. It has matured well and shows all the signs of fitting into an historic setting and becoming part of it that must be the aim of good architecture. The Worcester building and its success has heralded the triumphant growth of the practice to a size where it now has commissions from Trinity College, Cambridge, and Wadham College, Oxford, as well as substantial housing projects in London Docklands and Spitalfields.

The practice also recently undertook a study of the whole area of Spitalfields and was used as consultant to assist the London and Edinburgh Trust to prepare proposals for the redevelopment of Spitalfields Market. Working with the commercial architects, Fitzroy Robinson Partnership, their designs did not achieve the subtlety that they are able to realise in the groves of academe.

At Fitzwilliam College the new student rooms form the first part of a new court standing to the south of the existing college, which was designed by Sir Denys Lasdun in the early 1960s. The Lasdun group of buildings is distinguished by the elaborately roofed lantern over the dining hall—a parabolic concrete confection that lifts the general solemnity and plainess of the college. I suspect that it was the University Grants Committee limitations on the Lasdun rooms which were responsible for the strictly limited use of materials and the decidely limited architectural language of Lasdun's first part of the college.



The new Fitzwilliam College, Cambridge

Richard MacCormac was not given a particularly generous budget to accommodate 85 students and some fellows for £1.6m but he has achieved rooms that are some 50 per cent larger than the original college rooms and a standard of finishes that is reasonbly high.

The facade of the new court of rooms is clearly designed under the influence of Soane. It may not be initially obvious but the projecting entrance bays and the layered and articulated elements have their roots in the facade of Soane's own house in Lincolns Inn Fields.

What is also very Soanian, and very successful, is the glass frieze that runs the length of the top floor of the building. This lights the ceilings indirectly and gives the top rooms a distinctive aura. Soane's great skill was to create surfaces that are subtly illuminated, rather than rooms that are just lit by holes in the wall. MacCormac does achieve something of this quality at the Fitzwillam College wing.

Each main staircase of the college is the visual and communal focus of the plan and it accordingly receives very special design treatment. Each flight of stairs is lined with horizontal bands of ash panelling. The glazed fireproof screens are themselves covered by red trellis-like screens. Looking upwards in the cruciform lightwell you see the small half dome reflecting the stairs—again in the manner of Soane's mirrors in his own house. Red, black and white are the colours here—startling but effective contrasts that remind you of Japan.

Throughout the building the use of timber and the effective use of colour is remiscent of the work of Frank Lloyd Wright. It is not, however, straight copying but a response to an inspiration. The most enjoyable element of this new addition to the Cambridge college scene is the detail of the elevation. The regularly spaced bays, the lead-covered cornice and the detached elements of the concrete frame are all designed to provide a liveliness of facade that could be emulated with profit on many City streets.

What are the elements that MacCormac has used that add up to such a promising and pleasing new building? First of all he has selected those elements that inspired Soane and enabled him to let light define dimensions of space through penetration and reflection. The decision to create aedicule-like windows, which have their columns and entablatures outside the volumes of the actual rooms, derives from Soane but is shown here to work extremely well and to add interest to the facades. MacCormac has spoken of the ambiguous nature of space.

It is this quality at Cambridge which makes what could be minor rooms into a series of spatial experiences. The other major element in the design of this building which is so successful is almost a sense of the picturesque—a series of incidents that draw you into the rooms, in much the same way as you can be drawn into a picturesque landscape.

MacCormac also has the great gift of making it all look easy. In fact it is a difficult task to ease us all away from dry as dust modernism.

He does it by degrees and by always introducing elements that have a respectable architectural pedigree. To be able to draw on Japan, Frank Lloyd Wright and Soane, and yet produce a clear and original new building is no mean achievement. The new Fitzwilliam College looks much better in the flesh than in photographs—it is a welcome sign that there is life, and an enriched life, after modernism.

Schiff/Wigmore Hall

Dominic Gill

There were so many good things in Andras Schiff's recital of Schubert sonatas on Friday night that it was disappointing to conclude, when all was played and done, that he is still something less than a great Schubert pianist. The good things were legion. It was a delight especially to hear throughout the recitial familiar music played with such fine clarity and fresh attention to detail — a matter of broad gesture and tone of voice as much as of smaller contrapuntal detail.

That tone of voice — as it is in speech, chiefly a matter of timing and timbre — was as often as not exactly right: the wistfulness, but pungent and not too delicate, of the opening movement of the little B major sonata D575: the scherzo of the A minor sonata D845, dreamily transulucent but never remotely coy; the scherzo again of the great B flat sonata D960 (and one of the recital's major tours de force), a glittering featherlight, mercurial.

Of all the Schubertian qualities it was in fact those of lightest weight, this thistledown nuances, which Schiff captured most precisely — and which in every movement of the music seemed to lie closest to his heart. They dominated every performance. I have never heard the A minor sonata's first movement delivered with such equisite restraint, pedalled with such lightness, wafted on a breeze of almost perfect homegeneity and consistency — but without a hint of ambiguity or of the darker Schubertian resonances which permeate that work.

Everything was pale perfection: from the ornaments in the slow movement, each one turned in the finest filigree, to the spare, willowy textures of the rondo finale—sunlight through leaves is the physical image which that movement always conjures for me; under Richter's fingers, for example, the colours are richly dappled, and the sunlight, filtered as it may be, is warm; Schiff's illumination was unearthly pale, and the palette of colours beautifully graded, admirable in its finesse, but distant, without immediate presence. A single face of the music was lit—and a single exquisite face, too, of the great B flat sonata, whose first-movement exposition repeat, so rarely heard, should have lent thrilling additional dramatic weight to the whole, but instead seemed no more than a gentle nod to authenticity, of little dramatic import. The andante was sweetly made: a wistful song which barely ruffled the surface, and certainly never touched the heart, of Schubert's greatest keyboard slow movement.

Opera 80 in 1987

In January Opera 80 starts its new season by taking Verdi's *Rigoletto* and *Cinderella* by Rossini on tour to 17 towns, sponsored for the first time by the National Westminster Bank.

Bopha!/Cottesloe

Martin Hoyle

One of the more bewildering aspects of the South African agony, to outsiders at least, is the attitude of the black police. As this 80-minute show reveals, black brutality to black is a vital component of the present régime. Does becoming a policeman in the Republic automatically make a black man callous towards even his own? Or — a theory held in other continents besides Africa — does a police career attract a certain type in the first place?

Percy Mtwa—co-author, incidentally, of *Woza Albert!*, currently enjoying a London revival—has written this study of a black family's involvement with a police station where "we speak one language—bopha!" This means "arrest," resorted to for a multitude of crimes (a black is dragged from a whites only toilet, his trousers down) but applied selectively. As the sergeant earnestly reminds a newcomer, "The law say, never arrest a white man."

The Earth Players are touring the author's own production under the auspices of the famous Market Theatre of Johannesburg. The three-man cast is strong on movement, song and the sort of vigorous balletic stylisation depicting police training and drill that opens the play. A British audience finds some of the heavily-accented speech hard to follow: it takes some time to realise that donning a bushy moustache transforms a black actor into a a white figure of authority; and after 45 minutes, when family argument takes over, the pace flags slightly.

We meet a black police sergeant, devoted to the force his father and grandfather served, and a comic disciplinarian in his domestic life. His student son is involved with activists, while his brother joins the police through expediency but resigns after humorously sabotaging the system (arresting a blubbering white man, for instance).

The sergeant, too, eventually resigns after his house is destroyed by petrol bombs. We are reminded of deaths in custody: cell suicides, falls from high windows during interrogation, "slipping in the shower"; of shanty homes wrecked and children shot in the back by frightened officers "doing the impossible for the ungrateful," as they put it.

As long as "there's security in the police force" it seems unlikely that black policemen will emulate the (literal) *volte-face* at the Bastille and turn their guns on their masters. While this show offers little insight into broader and deeper issues, it provides brisk, well-drilled playing in its episodic narrative: from Aubrey Radebe's dyed-in-the-wool sergeant, Aubrey Maolosi Molefe's mutinous recruit and, playing various Afrikaaner boss-figures as well as the rebel son, Sydney (or Sidney—the NT should employ a programme editor) Khumalo, a disciplined and powerful young actor, singer and dancer.

Alastair Mu...

Aubrey Radebe, Sydney Khumalo and Aubrey Maolosi Molefe

Woza Albert!/Young Vic

Claire Armitstead

Since it first saw the light of day at Johannesburg's Market Theatre during the South African elections of 1981, *Woza Albert!* has become the dog that refuses to lie down. It has played in England and America, on television and in the West End. Now Leicester Haymarket and the estimable black theatre company, Temba, conspire to bring it back into our sights and our consciences in a home-grown touring production that conclusively proves this rousing piece of theatre has been overtaken neither by events nor by newer work.

The show is a two-man exploration through music, mime and drama of the course that a Second Coming might take, given the conflict of the South African state with basic humanitarian tenets of Christianity. The result is a grand metaphysical farce, culminating in the government's attempt to nuke Morena (Christ) as he strolls across the waters to Capetown. It is the best sort of political theatre—not meat-and-two-veg agitprop, but a confession of showmanship which couches arguments in an irrefutable logic that slips down through the act of being entertained.

Not having seen Barney Simon's original production, it is impossible to tell exactly where Alby James' updated version departs from it. What is clear is that the character of the piece relies on the performances of the two actors who, with little more than packing crates on which to drum and red noses to denote transformation to figures of white authority, people the stage with oppressors and oppressed.

Ewen Cummins and Attie Kubyane have an inspired partnership, in which inventiveness is shored with sheer hard work. The physical energy of a style which demands acting, singing and dancing, often simultaneously, never becomes haphazard. One of their virtuoso acts is to superimpose the chugging of a train on dialogue between two passengers, a feat of vocal juggling that leaves one marvelling at their timing and co-ordination.

If there are moments during the second half when the show verges on an *embarras de richesse* (I noticed a few surreptitious glances at watches), it sees its way clear to a deserved ovation. The impulse of the audience to stand up and cheer is both a compliment and an affirmation: of the performance and the message it contains.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

January 9–15

LONDON

Philharmonia Orchestra conducted by Francesco d'Avalos with Fou Ts'ong, piano. Mozart and Bruckner. Barbican Hall (Mon). (638 8891).

Endymion Ensemble conducted by John Whitfield. Stravinsky. Queen Elizabeth Hall (Tue). (928 3191)

Feinstein Quartet: Prokofiev, Edward Shipley, Martinu and Claude Bolling. Purcell Room (Tue). (928 3191).

English Chamber Orchestra conducted by Martin Andre with Steven De Groote, piano. Mozart and Beethoven. Barbican Hall (Wed).

Marius May, cello, and Imogen Cooper, piano: Beethoven, Schumann, Janacek and Mendelssohn. Queen Elizabeth Hall (Thur).

Academy of London conducted by Richard Stamp with Joseph Silverstein, violin and Mark Braunstein, viola. Mozart and Elgar. Barbican Hall (Thur).

PARIS

Michel Beroff, piano, Hu Kun, violin: Tartini, Beethoven, Wienlawski, Debussy (Mon 8.30pm). Théâtre Mogador (4233 4444).

Groupe Vocal de France: Levinas, Tosi, Sahbai (Tue 6.30 pm. Auditorium des Halles (4563 8873).

Ensemble Orchestral de Paris conducted by Antonello Allemandi, Aldo Ciccolini, piano: Britten, Stravinsky, Mozart (Tue). Salle Pleyel (4561 0630).

Orchestre de Paris conducted by Daniel Barenboim, Pinchas Zukerman, violin: Dutilleux, Beethoven (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique conducted by Marek Janowski: Olivier Messiaen, Gyorgy Ligeti (Thur). Saint-Louis-Des-Invalides church (4230 1516).

BRUSSELS

Palais des Beaux Arts: Sinfonia Varsovia, directed by Yehudi Menuhin, violin: Bach, Schubert, Bacewicz, Mozart (Royal Command Performance). (Wed); Belgian National Orchestra conducted by Uri Segal with Salvatore Accardo, violin – Lutoslawski, Paganini, Beethoven (Thur). (512 50 45).

ITALY

Rome: Auditorium in via Della Conciliazione: Gustav Kuhn conducting Liszt, Webern and Strauss (Mon and Tue). (654 1044).

Rome: Chiesa di S. Agnese in Agone (Piazza Navona): Gonfalone Chamber Orchestra: Telemann (Thur). (68 75 952).

NEW YORK

Carnegie Hall: Opera Orchestra of New York. Eve Queler conducting: Aprile Millo, soprano; Mario Malagnini, tenor; Matteo Manuguerra, baritone; Jerome Hines, bass. Verdi (Mon); Philadelphia Orchestra. Riccardo Muti conducting. Frederica von Stade mezzosoprano. Rouse, Mozart, Beethoven (Tue). (247 7800).

Kaufmann Hall: Chamber Music at the Y. Guest artists include Neil Balm trumpet, David Taylor trombone. Mozart, Kodaly, Kirchner (Tue, Wed). (1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Strauss, Debussy, Schumann (Tue): Erich Leinsdorf, conducting; Stanley Drucker, clarinet; Judith Leclair, bassoon. Mozart, Strauss, Beethoven (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Andre Watts piano. Berlioz, Sibelius, Brahms (Tue); Mstislav Rostropovich conducting. Uto Ughi violin with the Oratorio Society of Washington directed by Robert Shafer. Haydn, Dvořák, Prokofiev (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Yoel Levi conducting. Haydn, Roy Harris, Prokofiev (Tue); Sir Georg Solti conducting, Itzhak Perlman violin. Mozart, Dvořák, Strauss, Ravel. (Thur). (435 8111).

TOKYO

New Japan Symphony Orchestra conducted by Kazuo Yamada with Shigenori Kudo, flute; and Naoko Yoshino, harp. Mozart, Mahler. Tokyo Metropolitan Arts Festival. Tokyo Bunka Kaikan. (Mon). (437 6837).

Mirjana Irosch, soprano and Harald Serafin, tenor, recital of Viennese music accompanied by members of Wiener Opernball Orchestra. Tokyo Bunka Kaikan (Wed). (545 8348/9348).

Japan Philharmonic Symphony Orchestra, conducted by Naoto Ohtomo with Kazuhiko Yamashita, guitar. Dvořák, Roderigo, John Williams. U-Port Kani Hoken Hall, Gotanda. (Thurs). (237 9990). Sponsored by Nikka Whiskey.

Takashi Shimizu, violin. Webern, Schoenberg, Zemlinsky, Berg. Aoyama Theatre, near Shibuya. (Thurs) (237 9999).

Young Artists/Purcell Room

Andrew Clements

Piano trios and cello/piano duos figured largely in the Park Lane Group's week of recitals dedicated to Young Artists and 20th Century Music, and Thursday's double bill in the Purcell Room contained examples of both. The early-evening programme was taken over by the Leda Piano Trio, a group with origins at the Royal Northern College of Music, who introduced one of the evening's two PLG commissions, Adrian Williams's *General Paws*, between the substantial trios by Goehr and Hugh Wood.

Goehr's Piano Trio (1966) remains one of his most impressive works—formally precise, expressively controlled, and extremely difficult to bring off in performance. The Leda Trio had mastered its technical demands to a large extent but found some awkwardness in balancing strings against piano; the highly charged melodic lines of the second movement also moved uneasily. The account of Wood's three-movement 1984 work seemed more assured; it is less pugitive, more confidently assertive, and though the finale does not seem to provide the counterbalance the highly wrought first movement demands, remains a satisfyingly sustained musical span.

Another recent Wood piece was included in the second concert, the 1985 clarinet and piano *Paraphrase*, which takes a vocal setting of a Graves poem through a neat and fascinating sequence of transformations, always beautifully shaped and idiomatically written. It was finely played by the clarinettist Daniel Rye with Andrew Bottrill (piano), but the remainder of their selection of works did not show off their abilities as well as it might — Berio's inconsequential *Lied* for solo clarinet, Paul Patterson's *Conversations* and David Lancaster's *Seconds into Infinity*, commissioned by the PLG and sticking far too close to its stylistic model (Birtwistle) for comfort.

Rye and Bottrill shared their programme with the cellist Theodore Ulrich, accompanied by Julius Drake: it was one of those conjunctions that crop up in this series which seem to be a matter of convenience rather than artistic planning. Ulrich delivered cello sonatas by Poulenc and Bridge with a big, coarse-grained tone and frequent uncertain intonation. The Poulenc was the more unhappy: Bridge's Sonata had its moments of fully realised grandeur among the mainy pages of mild uncontrolled chromaticisms.

Cragg exhibition

This month Opera 80 starts its sculptures by Tony Cragg will open at the Hayward Gallery on March 5. His sculptures are made from man-made materials, collected as scrap, and then assembled.

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EEC barriers in high technology

EEC-SPONSORED technological collaboration faces an uncertain future after the failure by ministers late last year to agree a new research budget. While the stalemate hardly flatters Community decision-making, it offers a good opportunity for Europe to ask whether its policies for promoting technological competitiveness are headed in the right direction.

Joint EEC projects will not grind to a complete halt—some, such as Esprit, still have enough funds to continue for a while yet. But the Commission's hopes of renewing and expanding such programmes face strong opposition from Britain, France, West Germany and the Netherlands, all of which consider its proposals far too lavish.

Raise sights

Although the Commission's request for Ecu 7.7bn over five years represents only a small fraction of the total EEC budget, the amount of money is less important than how it is spent. In order to achieve worthwhile results, the EEC may need to raise its sights beyond simply extending existing forms of collaboration into new fields.

That is not to say that programmes such as Esprit have not been useful. By stimulating regular contacts between researchers in different EEC countries, they have helped European technology companies shed some of their blinkered insularity and recognise the challenges of competing on global markets.

Co-operation on common standards has also gained momentum, though it risks being sidetracked if dogmatic insistence on harmonisation at all costs is allowed to frustrate sensible liberalisation in areas such as telecommunications.

However, these limited successes also reflect a profound collective failure. In normal competitive conditions, companies seeking bigger economies of scale and increased efficiency would be free to expand into each other's markets and rationalise their operations through acquisitions and mergers.

For Europe's high-technology industries, that route is largely blocked. Jealously protective national policies have long kept most of them beyond the reach of foreign bidders, balkanising their activities and encouraging costly duplication of resources and capacity.

Subsidised EEC research collaboration, administered by officials in Brussels, is more of a poultice than a cure for many of Europe's problems. It may even impede healthy change by accepting too readily the established industrial order. Esprit, for example, is dominated by a dozen big electronics groups which ensure that they each get a share of the spoils without mutual concessions.

The priority for European high-technology companies now is to move beyond joint research into the development of products which can be marketed worldwide. This will require massive investments which few companies can afford alone. To share the burden effectively, they will need to devise new forms of co-operation which will require them to integrate their operations far more closely than ever before.

Encouraging step

Such challenges are most effectively tackled through the give-and-take of direct negotiation, guided by the commercial interests of the companies involved. An encouraging step has been taken recently by Italy's SGS-Ates and France's Thomson, which are discussing a possible merger of their semiconductor businesses.

Reaching agreement may not be easy, not least because both companies are state-owned and the objects of considerable national pride. However, Europe must open the way to cross-frontier mergers if it is to create groups equipped to hold their own on world markets. It is important that where such mergers do take place, as in the CGE-ITT deal signed last week, they do not simply perpetuate nationalistic market structures.

EEC governments and the Commission need to recognise that existing collaboration mechanisms have played a limited catalytic role but are no substitute for a genuine common market. The aim now should be to concentrate a concerted attack on the rigid structural barriers to change which are the biggest handicap to Europe's technological competitiveness.

Reopening the UK regional debate

THE BRITISH Labour Party has scored something of a coup in making the not very startling findings of the latest census of employment into headline news. It will certainly make every effort to keep what is now known as the north-south question high on the agenda. It is right to do so. Regional decline represents a human tragedy, a waste of potential resources, and indeed a considerable economic drag on the prosperous regions. It is also a question on which Mrs Thatcher is clearly vulnerable. Nobody knows any definitive answers, but the Government gives the impression that it does not even want to ask the question.

At least the causes of regional decline are pretty well understood. Changes in the structure of demand cause havoc in areas where declining industries are heavily concentrated, even where they are apparently well-favoured by geography—in north eastern France, for example, or on the east coast of the US, south of New York. Changing trade and shipping patterns can close major ports such as London or Liverpool, and all the activities they used to support; and unreasonable trade union practices can do the same unaided, as in San Francisco.

Individual tragedy

Experience also shows that market forces, unaided, will operate only slowly and selectively. San Francisco or London will find new roles. Liverpool or Delaware may be left in obstinate decline. In Britain market forces are not only not much aided, but quite actively impeded. As the Government has pointed out, national wage bargaining blocks some of the natural advantages of regions where land and housing are cheap. Equally, though, the British planning system and British housing market practices hamper the alternative solution—allowing labour to move to dynamic areas, as they did on a large scale in Britain in the 1930s.

The British problem is not, as the Opposition will no doubt argue, a result of Thatcherite economics; it has much deeper roots, and will be correspondingly more difficult to tackle. In the idealistic 1940s the British planning establishment rejected the haphazard development pattern of the 1930s, and set up a system designed to produce dispersion and balance—a mixture of planning and industrial development restrictions, new towns intended as growth centres, and regional incentives.

Such a pattern can be achieved, as West Germany proved in the 1960s; but the cost is high, and the crisis-prone British economy never provided resources on the necessary scale. As a result, we know more of the costs and failures of British regional policy than of any achievements; hence the apathy which the Opposition is now trying to puncture.

This attitude is the first thing that needs to be changed, and there is a lot of evidence to support a more positive approach. In Britain the enterprise zones, which attract industry through reduced costs and restrictions rather than subsidies, have achieved some striking successes, and so have some local enterprise agencies which rely on local initiative to create jobs.

In the US city centre renewal, as seen in Philadelphia or Atlanta, seems able to lift a whole region, using tax incentives which merit study; while in France the Brittany authorities have brilliantly exploited the opportunity created by their success in attracting the national computer school. Italy has shown what can be achieved by turning a bureaucratic blind eye on virtually the whole of the small enterprise sector.

A positive approach would take a pragmatic look at all such examples, and it would also recognise that the real touchstone of regional decline or revival is youth unemployment. It is where there are no opportunities for young people in any skill they are ready to acquire that the most urgent regional action is needed. Long-term unemployment, often the result of obsolete skills, is more an individual tragedy, and is relatively evenly dispersed through the depressed and the buoyant regions of the UK.

Slogging match

It will be little help either to voters or to the victims of regional decline if the north-south question becomes an ideological slogging match. However, if politicians can be brought to re-examine this all-too-old question with an open and imaginative mind, and work through the evidence, much more might be achieved.

EAST EUROPEAN ECONOMIES

Reforming Stalin's machine

By Margaret van Hattem

CAN Mr Mikhail Gorbachev, who is making the dust fly in his country, also give a new impetus to economic reform in its satellites? The mounting evidence of his commitment to reform, even liberalisation, has raised expectations in the West, but are these founded on more than wishful thinking?

Since Stalin died, East European leaders have been trying to reform the diabolical economic machine he bequeathed. The crescendo of Soviet economists calling for decentralisation of decision making and greater responsiveness to market forces represents only the latest chorus of a ballad that has been echoing through Russia, Poland, Hungary and Czechoslovakia for more than 30 years.

Yet, given the time and energy spent on the problem, these countries have little to show for their efforts and their failures cannot be attributed solely to Soviet opposition.

True, where economic reform was clearly linked to political reform in the direction of pluralism — in Poland and Hungary in 1956, in Czechoslovakia in 1968 — the Soviet boot was quick to crush it. Elsewhere, however, in Hungary since 1956 and East Germany in the mid 1960s, for example, the Soviet response has been, if not enthusiasm, at least passive acceptance.

However, all too often, like a self-righting doll, the economic machine has rocked around a bit before settling down in its original, unreformed *modus operandi*.

It cannot be that the basic model defies reform, for the Yugoslavs have succeeded in changing it fundamentally while, to their own satisfaction at least, retaining their commitment to socialism and the leading role of the Communist party. So what is holding back the others?

The traditional model, which still forms the basis of all East European economies other than Yugoslavia, rests on the pillars of state ownership (with some leeway in agriculture and certain marginal sectors); central planning; tight central control over allocation of resources; central fixing of wages, prices and foreign exchange rates; a state monopoly of foreign trade.

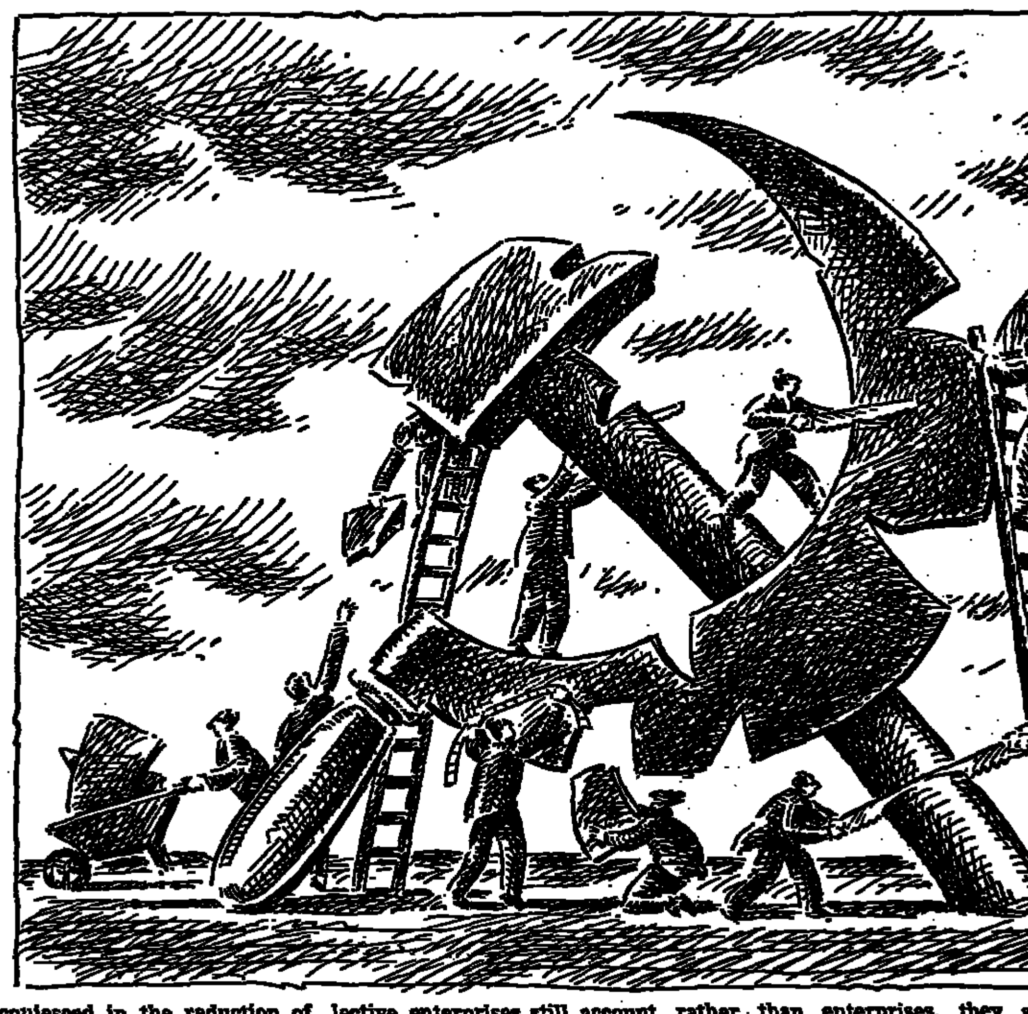
It did not take long for those countries who adopted this model after the Second World War to recognise its shortcomings.

They complained that: The structural rigidities of the system made for a high level of wastage. Industry was shackled by supply bottlenecks. Goods and labour were either in glut or shortage. Economic decision making, without market signals, was based on hopelessly inadequate information. Production without competition led inevitably to unsellable goods and unconvertible currencies. And the absence of such capitalist concepts as profitability or bankruptcy relieved industry of pressure to innovate or write off chronic lossmakers.

A similar analysis is being heard increasingly in Moscow today.

However, waves of reform have flowed and ebbed before in eastern Europe, leaving the basic structure intact. The exception is Yugoslavia which, after breaking with the Eastern bloc and through a process of trial and error, has come up with its own formula.

Central planning has been virtually abandoned in favour of a system of self management whereby, at least in theory, decisions on such matters as output, prices, wages and contracts are devolved to enterprises run by the workers. (The degree to which workers participate varies enormously. In some cases, they appear to have



acquiesced in the reduction of their role to rubber stamping management decisions.)

The Yugoslavs insist that they have abandoned state ownership, though the "social" ownership that has replaced it does not appear significantly to have fostered a sense of property or responsibility among the workers supposedly benefiting from the change.

The relaxation of central control has put the Yugoslavs in a position where their economic system is no longer really comparable with those of the Eastern bloc countries.

The results so far have been patchy; while Belgrade calls for greater efficiency and market orientation, it has yet to devise a political process capable of resolving the country's ethnic and economic differences.

Hungary, by contrast, is generally regarded as having pushed reform as far as possible while remaining within the permitted limits, though it appears to have succeeded in nudging those limits further forward.

The Hungarians have not abandoned central planning and show no signs of wishing to do so. They have, however, abandoned the old instruments of control — detailed plan directives, mandatory targets and quotas—in favour of "economic regulators," guidelines for wages and prices; subsidies; taxes; credits; interest rates; foreign exchange rates and rules for allocation of enterprise income.

They have not abandoned state ownership: state and collective enterprises still account for about 95 per cent of national income. However, they have encouraged (through tax concessions) private enterprise in the form of institutionalised moonlighting. They have permitted independent contract work associations, leasing of facilities to private individuals (who may then employ others) and eased the restrictions on small private enterprises.

The foreign trade monopoly has been relaxed: an increasing number of firms have been allowed to trade directly with foreign entities, rather than through the special foreign trade enterprises, and a number of the latter have been authorised to trade in any product—a measure designed to stimulate domestic competition.

The banking system remains highly centralised, though banks have some scope for considering rate of return when allocating credit between competing firms. However, Hungary is unique among Comecon countries in having an offshore bank, the Central European International Bank (CIB). The Hungarian National Bank owns only 34 per cent of this, the rest lies with six west European and Japanese banks. The CIB deals in convertible currencies, lending to firms in both East and West and providing export credits for Hungarian firms.

Hungary is also unique in having an embryo bond market. Since January 1983, enterprises and local government bodies have had the right to issue and buy bonds (though, if these are sellable to private individuals rather than enterprises, they must be government guaranteed). It also has a bankruptcy law and has closed a number of enterprises.

All this is a long way from the orthodox, centrally planned model—though probably not as far as it looks. It takes more than legislation and official encouragement to make managers start behaving like entrepreneurs.

But Hungary is particularly interesting in that its experience contradicts popular expectations. To begin with, the reforms have not been able to guarantee economic success. The economy may be performing better than it would if no reforms had been introduced, but with a soaring net hard currency debt, stagnating output and a decline in real income, it is hardly a model to the rest of the Eastern bloc.

Secondly, the reforms have not undermined the position of the Hungarian Socialist Workers Party, nor have they opened the way for a more pluralistic political system. On the contrary, the political liberalisation that has accompanied the reforms may have done more to reconcile the population to the party and stabilise its monopoly on power than could ever be achieved by coercion.

Complementary to the Hungarian experience is that of East Germany, which would appear to demonstrate that unwillingness to reform need not be a bar to relative economic success, including the highest standard of living in the Comecon bloc, fewer shortages and steadier growth than its partners. Since a brief flirtation with reform in the mid-sixties, the East Germans have shown no inclination to abandon any of the orthodox pillars of the centrally planned economy; rather they have concentrated on streamlining and refining them.

Unlike the Hungarians, who have broken up monopolies and large production units, the East Germans have gone for larger production units and increasing centralisation. Mergers in the first half of the seventies halved the number of enterprises; while the subsequent establishment of the gigantic kombinats (trusts) in the industrial and construction sectors has strengthened vertical links from planning, through production to research and development and marketing.

The East Germans enjoy certain inbuilt advantages — not least their special relationship with West Germany which guarantees preferential tariff treatment on their exports, interest-free trade credit, easier access to western technology and hard currency for services provided to West Berlin.

Whether the East German economy would operate more efficiently if it were more open to competition and more able to respond to market signals, is another matter. But, so far, it has got by sufficiently well to relieve its leaders of most pressure for reform.

The other East European economies have charted courses between the limits represented by Hungary and East Germany. In Czechoslovakia, most of the impetus for structural reform died with the Prague spring of 1968.

In recent years, the highly conservative and cautious regime of Gustav Husak has played with marginal reforms, such as the 1981 measures which introduced incentives for managerial efficiency, while reinforcing the mandatory nature of planning indicators. It has had little effect and calls for more radical measures from the small, weak reform lobby have received no encouragement.

Poland has made little more headway. Laws enacted in September 1981, making state enterprises autonomous and self-financing and making managers responsible to workers' councils, were intended to provide a basis for reform. This was to include decentralising decision making, leaving the planners to concentrate on broad, macro-economic decisions and sharply reducing the scope and size of the bureaucracy.

It did not happen. Martial law was imposed three months later and although the laws were implemented in the most formal sense, the appointment of military commissioners, the imposition of financial controls and the rationing of materials defeated the objectives.

Whether pressure for reform will start to build up again now that the winds from Moscow are blowing in that direction is not a foregone conclusion. Reforms approved earlier this year by Mr Gorbachev, while more radical than anything attempted in the Soviet Union for 60 years, fall well short of a comprehensive, fundamental reform of the basic model and it is not yet clear whether he has the nerve, let alone the means, to attempt that.

Quite apart from the vested interests — bureaucratic and political—served by the present systems, the opponents of reform have a case. Though economic liberalisation need not inevitably undermine the role of the Communist Party, it is highly likely to alter the nature of its control and its scope for shaping society.

Piecemeal reforms have demonstrably failed, but no one is sure where the comprehensive reform being advocated will end, or whether the end result will bear any resemblance to a socialist society.

Lastly, there is no guarantee of success; and in countries where all form of risk-taking has been discouraged for so long, that is a potent argument.

Men and Matters

Dawning in the East

One of Asia's tiniest territories is on the point of winning recognition by British businessmen—measured, that is, by a decision to set up a British Chamber of Commerce there. The place, believe it or not, is Hong Kong.

Within the next month, the 100 or so British companies based in the colonial territory will be contributing about HK$10,000 each as founders of the chamber. Associates, such as local agents for British companies, or UK companies doing substantial business in the territory, are likely to boost membership to about 200.

Until now, British business interests have either been represented in Hong Kong by the British Trade Commission, or the Hong Kong general chamber.

This may have worked well in the days when the Hong Kong Club had the air of a tropical annexe of the Athenaeum. But it has become an anachronism now that local Chinese companies account for 75 per cent of the general chamber's membership, with Americans, Japanese, Canadians, and even some European countries rivalling Britain among the remaining 25 per cent.

The question is why has it taken British business so long to come to the conclusion that its interests cannot be served properly in this way? Many locally would say it is due to complacency—Britain is seen as a bit laggardly still in pouncing on business opportunities either in Hong Kong, or through it, in China.

The more sympathetic explanation is that Britain's colonial control has, until recently, given British business a level of local knowledge and of preferential access that has simply made a separate chamber unnecessary. The decision to move now is, thus, an acknowledgment more than anything else that the sun is fast setting on this colonial era.

Establishment of a British chamber coincides with a strong surge in British trade and investment interest in Hong Kong and China, perhaps in the wake of the Queen's visit last autumn. Reg Holloway, Britain's trade commissioner, says that at least 30 trade missions are expected in Hong Kong this year, compared with 16 last year.

Bucks' turn

It would be putting it too strongly to say that David Bucks, vice-chairman of Hill Samuel and the man overseeing British Airways' flight into the private sector, is a gamekeeper turned poacher. But his present position does have an interesting antecedent.

After qualifying as an accountant with Peat Marwick, Bucks was one of the original quartet recruited in 1966 to staff the Labour Government's Industrial Reorganisation Corporation, alongside such nascent luminaries as Christopher Hogg, now chairman of Courtaulds. Bucks' task at the IRC was to promote Labour's plans for improving industrial efficiency. In those days, however, big was beautiful. So that meant bringing about the sort of mergers which created British Leyland out of Leyland Motors and BMC.

Now a publicity-shy 52-year-old, Bucks admits there is an element of irony in finding himself promoting a rather different philosophy, but sees nothing incongruous about his position.

"We were all pretty young and inexperienced at the IRC. We believed there was a job to be done, but even then one could see the fallacies and dangers of trying to improve the structure of industry in that way, and I don't think, for the most part, we shared the

"I used to be a cowboy in the City—until I got caught"

Labour Government's political philosophy."

Like all institutions, Bucks says, the IRC eventually became an end in itself, and after two years he left for the more amenable climes of merchant banking — first at Samuel Montagu, and seven years later at Hill Samuel.

Different view

Hungary's political cabaret, the sharpest in Eastern Europe, cut the country's economic planners and political leadership down to size with great merriment in a New Year's television programme.

"Our standard of living has reached such heights," said one performer, "that we will even curb it slightly in 1987. In the past, we rather irresponsibly always planned an increase in the standard of living. Now, thank God, we are planning for it to be worse next year. Rest assured, this is one plan we are going to fulfil."

Geza Hofi, Hungary's leading cabaret artist, stole the show. Hungarian radio opened its news bulletin last Good Friday with a religious item from Rome, he said. "My mother-in-law got really excited. Geza, what is this, a change of regime? I told her: Mama don't daydream. This is the news not a request programme."

On Hungary versus Russia in last year's World Cup football—"Our opponents—or rather a Soviet player—was running with the ball, and our guys just stood there and looked at him. They could at least have given him a shove, or booted him, or got a bit closer to him. He couldn't have been that radioactive."

On the civil war between Marxist factions in South Yemen: "Ammunition isn't that cheap. I don't understand it. My mother-in-law does, though. Mama, how come one Marxist is shooting at another Marxist? So she says: you know, Geza, it's when you live with someone that you really get to know him."

Hofi even had several jokes about the anniversary of the 1956 uprising: "The police spent the entire night in the streets while the reactionaries were happily asleep at home . . . I was performing at the theatre that night. As always, the audience filled the house, only there were four civilians as well. Oh, I see, that chap is writing down my jokes—there in the first row . . ."

Kill-joy

Rentokil's presence in the US grows apace with the acquisition last week of another company in Chicago. But Clive Thompson, chief executive of the pest control services group, assures me that a story about its expansion in Chicago, Miami and New York is quite definitely apocryphal.

According to this tale, the group's reps have been winning orders by approaching potential customers, and announcing: "I'm the guy from Rentokil and I've got a contract for you."

Observer

Guinness without its touch of genius

By Lisa Wood

FOR THE past five years Guinness has been a management story: since 1981 Mr Ernest Saunders has transformed a chaotically diversified company, *built around an apparently* mature brewing business, into a more carefully focused group whose key brand has been revitalised.

It is an achievement that has won widespread plaudits, from the city and others who follow the company. In the last five years, the group's stock market valuation has increased from about £90m to close on £3bn. A year ago — faced with a hostile bid from the Argyll supermarkets group — Distillers, the aristocratic Scotch whisky company, turned to Guinness as a white knight. It was a supreme moment for Mr Saunders, underscoring his position as one of the most admired managers of his generation.

His decision on Friday to step down as chairman and chief executive raises questions on two levels. First and most fractious is what his decision suggests about the course of the Government's inquiry into alleged illegal share dealings *during the Distillers campaign.* But inside Guinness's modest London headquarters this week there is another, equally serious, unknown: can Guinness prosper without Mr Saunders?

A former senior executive of Nestle, one of Europe's biggest food companies, Mr Saunders was headhunted by Guinness in 1981 when the family-run business *was in a state of* crisis. Sales of its world-famous stout were falling in England and Ireland and its celebrated advertising campaigns, while winning awards and applause *from the* cultured, were not encouraging more people to drink more Guinness. Since the drink accounted for more than 90 per cent of the company's profits, that spelt trouble.

In a bid to stimulate corporate growth, the family had acquired a rag bag of businesses, over which it exerted too little financial or managerial control.

Just how good a manager Ernest Saunders has been may not be clear for some time; too many of his changes have yet to be worked through. But that he wrought enormous changes at Guinness in a short period of time there is no doubt, skilfully developing a courtship with the City which survived even the aftermath of the bitter battle for Distillers between Guinness and the Argyll group, when Mr Saunders reneged on a commitment about the future chairmanship of Guinness.

Among his more concrete *achievements with Guinness* have been the following:

● Swift disposal of about 150 *businesses,* including a film and holiday business, many of which were loss-making. "His first achievement was to create order in the business," says someone who once worked closely with Mr Saunders.

● He revitalised sales of Guinness stout. Bain, the management consultants (which also supplied on secondment Guinness's finance director, Mr Olivier Roux) prepared a financial analysis of the business and then a team with proven marketing skills was hired to devise and execute a recovery strategy for the brand.

"Ernest understood that the company had to get its major brand sorted out," says an advertising *executive* who worked with him at the time. "Until he did, he knew he would not be able to get the confidence of investors to build the broadly based company he wanted." By mid-1983 the decline in sales had halted and they had begun to grow, a trend that has continued with growth of 14 per cent last year.

● Clearly defined areas of busi*ness activity were identified,* including health, retailing and publishing. Areas of geographic expansion were also targeted, notably the US, with the aim of reducing dependence on diffi*cult markets* like *Nigeria.*

● With the £2.5m acquisition of Distillers, Guinness took a major step in developing its international beverage business, built around Distillers brands such as Johnny Walker and Gordon's Gin. A year previously, Guinness had acquired Arthur Bell, another big Scotch whisky distiller. With over one-third of the Scotch market, Guinness must have a reasonable chance of boosting profit margins and the drink's popularity.

● A team of senior and middle managers was recruited from some of Britain's better known companies. They included: Mr Vic Steele, a former marketing executive of Beecham, the pharmaceuticals and consumer group, who now heads Guinness's beverage division; Mr Brian Baldock, who heads what is called the development division (retailing, health, hotels and publishing) came from Imperial group, where he sat on the *Courage breweries* board and was responsible for retailing and leisure; and Mr Shaun Dowling, former managing director of West Brick Products, a publicly quoted building *materials* company, *who is* commercial director. Other senior managers were drawn from Grand Metropolitan, Mars, Unilever and Seagram.

But for many in the City, Saunders was *Guinness PLC.* He enjoyed a unique position in the City, *often* dazzling brokers with his marketing skills and forecful charm. At a time of growing interest in branded consumer product acquisitions, his messianic belief in the importance of strong brands in the battle for market share in consumer products has made him the right man in the right place.

He was very much a hands-on manager who, while being able to concentrate on the strategic vision, would concern himself in day-to-day issues, such as the packaging of a brand and the precise detail of an advertising shot. Such behaviour impressed many of Guinness's clients and business associates. Others condemned him for treading on people's toes.

There were, of course, critics. With his main experience in marketing, rather than general management, Saunders, it is said, had an instinctive tendency to turn to outside agencies, such as marketing consultants, for help in analysing the market. This may help to explain his reliance on Bain, the US consultancy, to provide much of the "management intellect" needed to build the business.

Throughout the period, Guinness's underlying profits growth exceeded that of the brewery sector and the bottom line was further boosted by a series of acquisitions. Apart from Bell and Distillers, Guinness bought Martin, the newsagent, and the Champneys group of companies. *To the City, it* seemed as if Guinness had found exactly the right management to challenge the cosy ways of the brewing barons—"the beerage."

From this base, Mr Saunders had an ambitious strategy. He intended to sort out the Distillers business, with its jumble of drink brands, disposing of the Scottish company's non-core activities and acquiring businesses to develop the international beverages division and others, such as health products, which Mr Saunders sees as a major growth sector. In other words, Mr Saunders would do for Distillers what he had done for Guinness, continuing across the whole business to switch emphasis away from volatile markets.

The strategy is half complete. For several months, Mr Steele has been pre-occupied with Distillers, selling businesses, reducing costs, reorganising responsibilities and setting market strategies. "We are not talking about a single business in a single market. We are dealing with a multitude of brands selling in many countries. We have got to be top of the table in marketing and sales and bottom of the league in costs," says Mr Steele.

The departure of Mr Saunders need not harm this plan. Wood Mackenzie, the Edinburgh-based stockbrokers, says in a recent report—albeit written before the *latest* development—*that* "while the brand building opportunities should ensure growth on a five-year view, Guinness's short-term progress is effectively underpinned by a programme *of* rationalisation and tight asset management."

It pointed out that the executive directors such as Mr Steele, Mr Baldock and Mr Dowling have executed this strategy durring the last year, as Mr Sauners concentrated on acquisitions. Between them the three divisional heads have solid track records and good reputations inside the company for their particular skills.

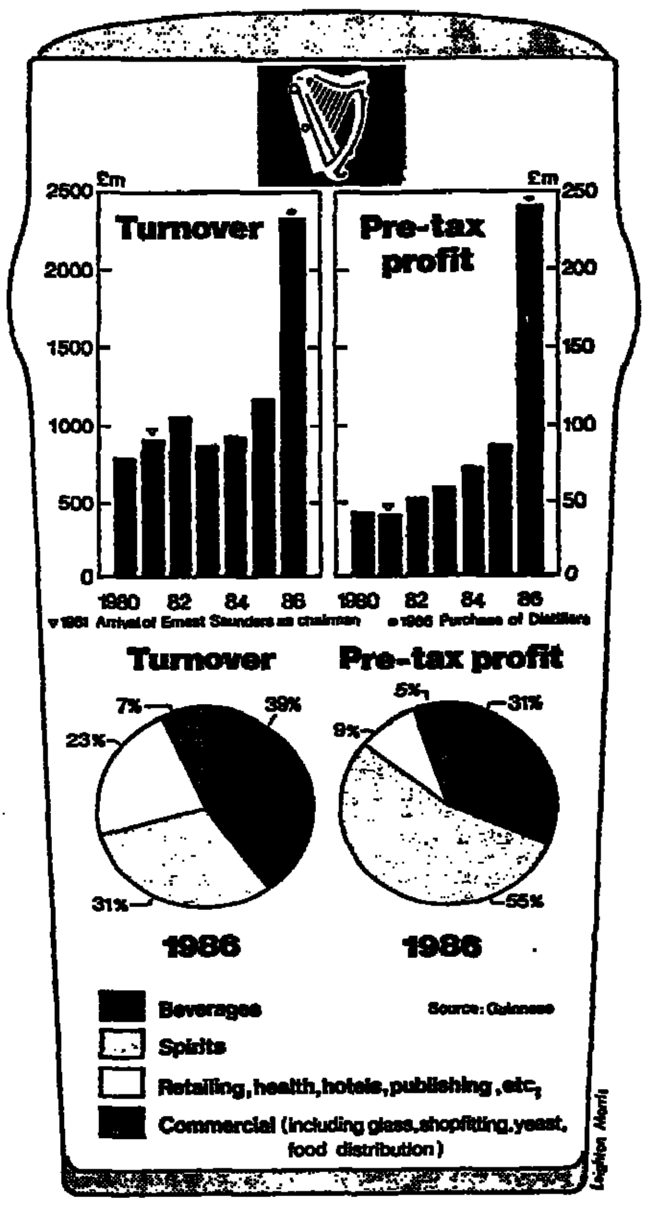
While there are still gaps elsewhere in the Guinness management team—for example it is in the odd position of having a seconded fiance director—there is no reason in principle why the business should not continue to function well on a day-to-day basis. "Over the years Saunders has built a rather talented team of people," says one senior businessman who knows Guinness well. Mr Steele, for example, is described by one Guinness employee as "a very strong administrator. Whether he has entreprenurial skill I do not know." Mr Saunders's appointments at Guinness have been specific people for specific tasks; it is not clear whether these senior executives have the breadth of talent and vision needed to run a major organisation.

In the short term, City analysts are inclined to give Guinness the benefit of the doubt, arguing that the company can be effectively managed by its three divisional directors. More of the City's view will be revealed from the performance of Guinness's scandal-battered shares this week.

As for major strategic questions even insiders have their doubts. "Any longer term strategy will have to be deferred because of the need to consolidate the business and clear up the Government enquiry," says Mr Downing.

Guinness's future matters; it is one of Britain's biggest companies and crucially involved in a major export sector. The non-executive directors in the issue of the role executive and proper running of companies is also important.

The Bank of England has been in close discussion with the non-executive directors over the past weeks. These include Lord Iveagh, president of Guinness and its former chairman, and Sir Norman MacFarlane, chairman of Macfarlane Group Clansman, who chairs the Guinness non-executive committee. He is widely tipped to take over as acting chairman this week. The board must find a way to restore external confidence in the company and to boost its belief in its own future. They do not have much time.



Lombard

Market's view of the election

By Samuel Brittan

THE CASE for basing one's view of the future on market prices is not that the market is right, but that it is difficult without very special knowledge *to do any bett*

For the market takes into account all known information about the US, British and world economies and beliefs about future developments. People vote with their own, or their institution's money, on the relative likelihood of different developments.

Similar observations apply to political events. The public opinion polls give us a reasonable idea of the present standing of the parties. As Peter Riddell pointed out in the FT on January 5, the average of December polls gave the Conservatives 40 per cent, Labour 37 per cent, and the Liberal-SDP Alliance 22 per cent.

But there are many problems about translating these figures into parliamentary seats. Not all who *expressed* an *opinion will* vote, while some of the "don't knows" may eventually make up their minds. There is also the great difficulty in a first-past-the-post constituency system in *translating votes into seats. And* in any case an informed assessment has to take a view on how opinion will change

The political market place, in which participants vote with their money, *consists of* the bets which are made on the election result and related events. Translating the odds into natural rather than the punters' language; Ladbroke gave at the end *of last week 9-4 in favour of* the Conservatives having the largest single number of seats. William Hill gave the same odds. Ladbroke gave 13 to 8 *against* Labour having the most seats, *while William Hill gave slightly* higher odds against of 7 to 4. Both bookmakers, of course, gave very high odds—40 or 50 to 1—against an Alliance lead.

Although the odds favour the Conservatives, they are *far from* overwhelming. More important: they do not say whether the Conservatives will have the 326 seats required for an absolute majority over all other parties. Here Ladbroke can help. For it gave odds of 5 to 4 in favour of *no party* having an absolute majority. Thus even from a narrow partisan point of view the case for rushing to the polls is far from overwhelming.

There is one firm of financial bookmakers, IG Index, which does hold a book on the parliamentary situation. At the end of last week it was quoting *between 310 and 320 Conserva*tive seats, 266 to 276 Labour seats, 24 to 28 Liberal and 17 to 21 SDP.

The punter will gain if the result for the party on which he places his bet has seats outside this range. The view from IG Index is thus also of a 44-seat lead for the Conservatives, but still slightly short of an absolute majority.

A direct poll of the financial markets, to which respondents were replying anonymously, but without any cash at stake, was more favourable to the Conservatives. The December Messel Survey of Stock Market Opinion showed 57 per cent expecting an outright Conservative victory; 33 per cent expected the Conservatives to be the largest single party; some 8 per cent expected Labour to be the largest party; and only the remaining 2 per cent expected an outright Labour victory.

In this case, however, it is the bookmakers rather than the financial market participants who reflect the weight of cash; and if the Prime Minister cherishes strong hopes of an outright victory—and her dislike of coalitions or negotiations with smaller parties is well-known—she will be in no hurry to rush into an election.

There is a greater dispersion of views on the election date. Ladbroke was giving nearly evens on April to June 1987. William Hill gave November as the most likely single month, but with odds of 100 to 30 against. The IG Index quoted September 7 to 21. The Messel poll found 54 per cent of respondents predicting June to September 1987. If you want a small chance of making a lot of money, pick a date in 1988.

There are a few economic forecasters who are so sure of a sterling crisis that they would counsel the earliest possible polling date. There are a few others who are convinced that the balance of payments, inflation and unemployment will all be improving before the middle of 1988. I am not sufficiently confident of anyone's forecast, or my own, to do other than watch the bookmakers.

Letters to the Editor

Adjustment for inflation

From Mr P. Foley

Sir,—Samuel Brittan (January 8) laughs off the inflation adjustment of public sector deficits because "it leads to the ludicrous result of an apparently extremely tight *fiscal policy in a year like* 1980." A simple example shows that inflation adjustment is much more important than Mr Brittan would have us believe.

Consider first a simple situation where inflation is zero, the real (and therefore nominal) interest rate on public sector debt is 3 per cent and the public sector has debts of £100bn. Suppose the government manages to balance its budget excluding debt interest. It therefore has a deficit, including debt interest, of £3bn.

Consider now the same *economy* except with inflation at 20 per cent. If the real interest rate on public debt is still equal to 3 per cent, the nominal rate will be approximately 23 per cent. If the government continues to balance its deficit before debt interest, it will have an overall deficit of £23bn.

According to Mr Brittan, no adjustment for inflation in comparing the deficit in the two cases should be made, and therefore the government in the second case is running a much more expansionary policy. This is not correct. The extra £20bn on the *government deficit* should not be considered as extra spending power for the private sector, since it will need to be saved simply to keep real wealth constant. Some might say: "but the government has to finance that larger deficit." But, not by simple coincidence, the private sector's desired extra saving will match the government's extra borrowing so financing should not be a problem.

Mr Brittan suggests that inflation adjustments has support only from a small number of economists. But I suggest that it *is a large and growing* number, and one which includes economists at the IMF, who realise that without inflation adjustment there is simply no way to measure the fiscal stance of governments in countries they are monitoring. For consider a high inflation country where the government suddenly enforces a price freeze, as has happened in Brazil and Argentina. Because of the lower nominal interest rates that follow, the budget deficit will be reduced sharply, but this should not necessarily be taken *as a* sign that fiscal policy has been tightened.

If we should inflation-adjust budget deficits, then the figures suggest that there was a very sharp tightening of fiscal policy in 1979 and in *1980,* as Mr *Brittan points out. This would* certainly help to explain why the recession of that time was so deep. If inflation were to pick up again in the future, it will be important to understand *fully what that would mean for* the public sector deficit, if we are to avoid another overreaction and another recession.

Patrick Foley,
(Economic Adviser, UK/International),
Lloyds Bank,
71 Lombard St, EC3

Reform of the rates

From Mr D. Redfearn

Sir,—It is amazing that one still sees statements such as that by Councillor Sayers (January 7) that rates reform has no easy solution.

The fact must be that the majority of your correspondents resolutely close their minds to any proposals that do not appear in the Government's Green Paper, and open them to such vague concepts as "accountability," and to appalling complications of which I hope it is not unfair to select Mr Aspinall's (January 2) concerning students and the community charge as a typical example. Pay the student a grant to go to college, charge *him a community* charge for being there, and when then? Increase the grant, or risk annoying Mr Aspinall's professional and managerial workers? If this matter were not so *serious,* one could laugh at the way Peter is robbed, not even to pay Paul, but to pay Peter himself!

Thank heavens then for Dr Smith (January 5), who spells out once more what one would think to be the obvious advantages of retaining rates, which are simple to collect, but basing them on land values, which would not only make them simpler to assess but would in addition actually encourage the re-use of derelict land at present awaiting the pleasure of the speculator. The truth of this statement is amply borne out by evidence from many parts of the English-speaking world. In Seymour Shire, Australia, for example, where the shift was made in 1982, the value of new construction went up from just over A\$3m in 1981 to A\$8.5m in 1984; and the value of new construction is not a bad index to general economic well-being.

Is this not what we want, whether *it is in the Green Paper* or not?

David Redfearn,
15 Fennell's Close,
Burton Road,
Eastbourne, Sussex.

Regional hubs

From the Chief Executive, Manchester Airport

Sir,—Recent correspondence in your columns serves to perpetuate the myth that if more airport capacity is not built in the southeast of England, the natural beneficiaries will be European airports such as Paris, Amsterdam and Frankfurt. If demand is in reality for services to southeast England, why should that demand find European airports a realistic alternative; surely UK regional points are much more likely beneficiaries if genuine UK based demand cannot actually use a London airport.

The argument is equally fallacious in respect of interline traffic. There is no fundamental reason why hubs need necessarily have the most substantial natural catchment areas, a case in point is Schipol. Hubs develop where airline and Government policies dictate. There is nothing to prevent the UK Government taking concerted action in creating an alternative UK hub for this interline traffic rather than constructing another runway causing further environmental disruption in the already overcrowded southeast.

Government action in this respect was promised in the airports policy White Paper of 1985 but to date little positive action has been taken; even the promised negotiation of rights for US airlines to serve Manchester under the Bermuda agreement has not taken place.

I would agree with the director-general of the Air Transport Users Committe *(January 6) when he says that* the UK must seek to satisfy the market demand for air travel to and from the UK and for the lucrative interline traffic but this demand can be satisfied by the UK using existing regional facilities. Manchester Airport is achieving notable success with a record 7.5m passengers handled last year based on local demand but the threatened loss of traffic to Europe can only be combatted by positive action to develop Manchester as an alternative hub. The potential gain to the UK regions in job creation, tourism and industrial development from a policy of regional hub development makes it ludicrous to contemplate further airport development in the southeast before this strategy has been fully exploited.

Gil W. Thompson,
Manchester

Insider dealing

From Mr I. Ferguson.

Sir,—Much has been written about insider trading. The City teems with news and shares will be bought and sold on the value of this news. In a sense nearly everyone is trading on information. By accident or design anyone in contact with a company may pick up a snippet of information which has potential value. Analysts visit firms for just this purpose. On this basis there is a good deal of insider trading and it is not practical to stop it.

The ideal situation is for all *concerned* to know everything which is utterly impossible. When a section of the community is living by its wits, no one is going to stop rumour, the passing of information or the taking advantage of it. It is better to start at the other end — make it mandatory for all quoted companies to issue quarterly progress reports and to announce major contracts *immediately.*

Those with privileged information are likely to use it to a greater or lesser extent and one sees no good reason why an MD, holding key knowledge, should *not* buy shares in his company. If much more news was regularly published by companies, the risk of serious misuse of information will be that much less.

Ian Ferguson,
4 Burns Court,
Marine Parade,
Dawlish, Devon.

Unemployed applicants

From Mr P. Leventhall

Sir, — Michael Dixon's job column (January 7) referred to a recruitment consultant barring unemployed applicants. There could be a very simple explanation to this.

If the position is filled by an unemployed executive then *that is the end of the matter.* If an applicant is attracted away from another company then a further assignment to fill his position becomes available for the recruiting industry.

Having had *some* dealings, as an employer, with recruitment organisations of various kinds, and having friends, ex colleagues and ex employees working in that industry I am aware that the recruiters find it necessary to create vacancies as well as fill them.

P. E. Leventhall,
16 Sundown Avenue,
Sanderstead, Croydon.

FINANCIAL TIMES

Monday January 12 1987

Roderick Oram on Wall Street

Just time for a quick dice game

THE RATTLE of dice and clatter of backgammon pieces are the loudest sounds in the New York Exchange's wood-panelled club rooms at eight o'clock on the morning after the Dow hit 2,000. Like coffee drinkers guzzling a caffeine kick-start, a few traders are warming up their wits for the last trading session of a record-breaking week.

By the end of the day they and their 1,800 colleagues on the exchange floor will have pushed the week's trading volume to almost 1bn shares as the Dow industrial average hit highs five days running in one of the most spectacular New Year rallies in memory.

Down the hall from the green-baize gaming tables, past the statue of the bull cast in perpetual combat with the bear, more traders breakfast in the Luncheon Club. While the gentlemanly air of the enormous room has changed little in generations, the life of traders has. Lunch away from their posts is an indulgence in these days of relentless trading.

This is the only time of day, though, to catch someone like Mr Brian Hunter if you want an uninterrupted explanation of his work on the floor. Down there he has to shoe-horn his comments between machine gun bursts of trading. Daily share volume has increased 30-fold in his 22 years on the floor.

He is one of 400 "specialists" on the floor, each of whom is responsible for ensuring an orderly market in a handful of stocks. Grouped in about 50 firms, they are all exchange members They are not market makers in the sense of the old London jobbers, or over-the-counter dealers, but they often trade on their own account as they act as go-between for floor brokers on the buy and sell sides.

With enthusiasm undiminished by his tough years on the floor, he tells of his greatest exploit to date - the launch of British Telecom in December 1984. Some 300 floor brokers mobbed his post as trading began. Within moments he had crossed ¾m American Depository Receipts representing 7.5m BT shares. By the end of the day he had handled 1.3m ADRs, maintaining a 25 cent spread as the price almost doubled to $11.

By Mr Hunter's standards, the first half hour of trading on Friday is leisurely since he crosses only 200,000 shares. Typically 15 to 20 per cent of the day's trading is done in the period. He takes a few moments in the mid-morning lull to review his stock positions before joining in the fun around him. One broker comes in for joshing about his smart new sports jacket. "Since I married again, my wife dresses me" he explains.

Mr Hunter has got a streaming head cold. He says he is allergic to Zeppelin, his daughter's pet ferret. News that some northern Englishmen think it sporting to put the sharp-clawed polecats down their trousers is met with scepticism but like any good market rumour repeated on a make-of-it-what-you-will basis.

On the subject of the Dow 2,000, the consensus is that the mystique is a media invention One specialist says he is glad it was not breached in the slack-news summer when reporters would have had even more time for "how was it for you?" questions.

It is only a number, albeit a round one. They are more interested in the figure marking the turning point. "It'll hit 2,100 then have a screaming correction" a broker suggests.

Through all this, Mr Hunter never misses a beat as he switches instantly from banter to broking and back again. His eyes, narrowed in non-stop concentration, dart from screen to screen around him as he constantly monitors markets across the country.

The electronic workstations, built above the old booths and lowered to the floor one weekend, are the visible tip of the exchange's $200m investment in automation. Even though more shares are now traded in a day than in a month-and-a-half 20 years ago, the floor space has not changed an inch. Bigger than an English football pitch, it is spread over three interconnected rooms: the Big Room, the Blue Room (it is) and the Garage (it was).

The trading pace picks up through the afternoon to make another bumper day Shortly after the closing bell, Mr Hunter admits it has been an exhausting but highly satisfying week.

But perhaps the closer he gets to home the more likely he is to think of Zeppelin than British Telecom Now there's a question for its chairman. "Tell me, Sir George, is it true what they say about Yorkshiremen and ferrets?"

John Elliot on the Mujahideen's efforts to present a common front

Afghan groups rethink truce offer

LEADERS of the seven main Afghanistan guerrilla groups based in the Pakistani border city of Peshawar meet today to reconsider their initial rejection of Soviet offers of a six-month ceasefire in the seven-year Afghan war after a week of growing debate and uncertainty about what stand to take.

The Mujahideen leaders, meeting three days before the ceasefire deadline on Thursday, are unlikely to agree unanimously to stop hostilities, although the ceasefire may be partially followed in some areas.

There is a growing awareness both among the group's leaders and in the Pakistan Government that the proposal cannot be rejected out of hand and that the linked and possibly even more significant offer to form an interim Afghanistan government of national reconciliation needs a detailed constructive reply.

There are sharp differences of opinion over how much Soviet or Mujahideen influence either side would be prepared to see in such an interim government. The guerrillas have been offered a role in the government, an amnesty and elections, but it is not clear whether the Afghan Communist Party is prepared to share real power.

Some guerrilla leaders, including two from powerful Hezb-i-Islami factions – Engineer Gulbaddin Hekmatyar and guerrilla commander Jamaluddin Haqqani - have made statements in Peshawar and Islamabad that indicate they do not want to be left out of the debate on the shape and constitution of any such government.

This reflects the considerable success of the Soviet Government and the Afghanistan regime of Mr Najib Ullah in the past fortnight as their stream of offers and statements have gradually dispelled some of the international scepticism about their motives.

The key test will come on February 11 when Afghanistan, in resumed UN-sponsored indirect talks with Pakistan in Geneva, is expected to make a fresh offer on a timetable for withdrawal of Soviet troops. Diplomats in Pakistan and India believe that 12-18 months might be offered, which would be a significant improvement on previous Soviet offers of three to four years and would be close enough to Pakistan's four to six months demand to be a basis for detailed negotiations.

In the meantime there are likely to be varying reactions from the leaders of the seven main Mujahideen groups and the considerable number of smaller resistance groups operating within Afghanistan.

It is possible that the ceasefire will be partially observed in some provinces. There are reports of Afghan army commanders in the mountains urging local Mujahideen rebels not to put their lives unnecessarily at risk and some groups in Peshawar may not want to be put in the wrong presentationally by appearing unduly trigger-happy in the face of the Soviet offers.

But detailed assessment will be difficult because of Afghanistan's mountainous terrain and because heavy snow-falls always curtail hostilities at this time of year, especially in the north where Mujahideen morale is highest.

A key factor for some of the Mujahideen groups in Peshawar will be the position of the Pakistan Government which has so far avoided any detailed reaction. Mr Yakub Khan, Pakistan's Foreign Minister, held talks this weekend with Iran during a visit to Tehran to discuss an Islamic summit planned for later this month in Kuwait, where Afghanistan will be debated.

Pakistan is also in contact with the US and Saudi Arabia. A senior Soviet Foreign Ministery official is expected to visit the Pakistan capital of Islamabad later this month.

General public opinion in Pakistan is firmly in favour of a settlement, along with the civilian government of Mr Mohammed Khan Junejo, the Prime Minister. But the position of General Zia ul-Haq, the President and former military ruler, is not so clear cut.

The presence of up to 3m Afghan refugees in Pakistan is causing increasing social strains. The recent riots in Karachi, in which over 160 people died, were aggravated by the availability of sophisticated arms and a booming narcotics trade, a by-product of the Afghan war. There have also been increased air and ground attacks from Afghanistan on Pakistan border areas in the past year.

So internal pressures for a settlement are increasing in Pakistan. The Soviet offers have been welcomed as worthy of at least detailed study by almost all opposition leaders except Miss Benazir Bhutto of the Pakistan People's Party, who is remaining cautiously silent, possibly awaiting a lead from the US.

President Zia, however, has more at risk from a settlement because his rule of over nine years has been bolstered by US support for Pakistan's role as a front-line buffer state against further Soviet advances into South Asia.

US defence and economic aid of $4.02bn planned for the next six years would probably continue unaffected for at least three or four years after a settlement, but there would be less need for advanced US-subsidised defence equipment

President Zia might however calculate that on balance a settlement would be worthwhile for the personal credit he would receive and because it might lessen internal social tensions.

What is undisputed in Pakistan is that the recent Soviet offers have brought the prospect of peace closer than at any time since Soviet troops marched into the country on Christmas Eve, 1979.

Engineers' overtime ban may disrupt UK telephone service

BY OUR LABOUR STAFF IN LONDON

TELEPHONE services in the UK are threatened with disruption from today as the 110,000-strong National Communications Union's (NCU) engineering section begins a strict work-to-rule and overtime ban at British Telecom (BT).

Attitudes appeared to be hardening on both sides of the dispute over the weekend. The union has accused BT of breaching a traditional agreement that the unions's members should decide what constitutes an emergency call.

BT said last night it would fulfil its contractual and social obligations to repair emergency lines – using engineers or management grades. Today the NCU engineering organising committee meets to discuss its response.

Mr John Golding, the NCU general secretary, accused BT of being highly provocative and attempting to escalate the dispute.

BT acknowledges that the engineers' industrial action will "inevitably have the effect of hitting customers," but the company said it would do everything possible to minimise the inconvenience caused.

The NCU is likely to concentrate its campaign on City of London institutions, for maximum effect. The Big Bang financial deregulation has meant a greatly increased demand for advanced telecommunications in the City, and BT engineers have helped to meet this demand by working for more than their standard 36-hour week. A number of institutions had engineers working overtime at the weekend before the ban was implemented.

These new installations could be affected by the dispute, but the institutions, and big companies, hope that BT's management will maintain an adequate repair service, through fear of losing business to its rival, Mercury Communications.

Mercury's immediate response is likely to be limited to providing extra lines for existing customers if there is spare capacity. "We don't want to be perceived as making capital out of an internal BT dispute," the company said.

A telecommunications analyst at a London stockbroker said the dispute would have to be protracted if it was seriously to affect BT's revenue or customer satisfaction.

"If I was BT I'd be feeling reasonably complacent," he said. "They only have to conduct a damage limitation exercise and win the public relations battle."

The increasing use of digital and electronic technology has reduced BT's vulnerability to the engineers' action. The Stock Exchange believes that any deterioration in services would take several months to affect its 7,500 telephones,

Nomura, the Japanese institution, said: "We are keeping our fingers crossed and hoping the effects won't be too great for too long. We understand there is a little guy downstairs breeding carrier pigeons who hopes to make a killing."

Union advises its pension fund trustees on BTR-Pilkington bid

BY MARTIN DICKSON IN LONDON

BRITAIN'S General, Municipal and Boilermakers Union (GMBU) has broken new ground in a takeover battle. It has written to those of its members who are pension fund trustees urging them to take an active role in deciding whether their funds accept the hostile £1.1bn bid for glassmaker Pilkington Brothers from BTR, the industrial conglomerate.

The GMBU, which represents most Pilkington employees, is spearheading a trade union campaign against the bid, which it says in a letter to the pension fund trustees would be "damaging to the future prosperity of the company, its employees, the local community and to British industry."

It urges the trustees to make sure they are consulted on the bid, rather than passively leaving the decision entirely to their professional investment managers in the City of London.

The letter has been sent to about 150 GMBU members who are trustees for the pension funds of both private and public sector companies, including major businesses such as British Steel and Lucas.

It is believed to be the first time a trade union has sought to influence a major bid in this way.

Mr Eddie Newall, the GMBU's national industrial officer and author of the letter, said that although the union was opposed to the BTR bid, "we are not seeking to dictate that policy to our trustee members. However, we do want to encourage them to take part in the decision-making process."

The letter says that as trustees their first duty is to safeguard the prosperity of their pension funds and the interests of its members. But Mr Newall said yesterday that they should also consider the long-term interests of Pilkington.

Some 15 to 20 per cent of Pilkington's shares are believed to be held by pension funds. Those with GMBU trustees will account for only a small proportion of that total, but could prove significant in a close contest.

Meanwhile, in a weekend letter to Pilkington shareholders, BTR sought to rebut claims that it had no commitment to research and development.

Sir Owen Green, its chairman, said research and development was a part, and only a part, of any business and BTR's subsidiaries each maintained a development trust capable of satisfying the current and projected needs of the market.

The letter also sought to anticipate the full-year profits forecast Pilkington is expected to unveil later in the battle. It said up to £35m should be deducted from this figure due to various accounting changes.

Sir Owen also said that "associates" of Pilkington had spent more than £53m buying the company's shares since the start of the bid

But Pilkington said last night that the term "associate," as laid down by the Takeover Code, covered a wide range of investors having no real links with the company. It said it had no idea of the identity of most of those who had been buying its shares.

Unions' sights set on IBM, Page 7

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	58	Dubrovnik	R	8	46	Malta	F	15	59	Rhodes	C	14	57
Algiers	C	13	55	Edinburgh	F	-3	27	Manchester	S	-4	25	Rio de J'o	-	—	—
Amsterdam	S	-8	18	Faro	S	14	57	Manila	-	—	—	Rome	R	11	52
Athens	C	13	55	Florence	R	5	41	Melbourne	F	27	81	Salzburg	Sn	-11	12
Bahrain	S	17	63	Frankfurt	S	-11	12	Mexico City	-	—	—	San Francisco	F	4	39
Bangkok	-	—	—	Funchal	-	—	—	Miami	C	16	61	Seoul	S	-1	30
Barcelona	S	13	56	Geneva	F	-4	25	Milan	C	0	32	Singapore	R	25	77
Beirut	-	—	—	Gibraltar	-	—	—	Montreal	Sn	-5	23	Stockholm	S	-21	-6
Belfast	S	-1	30	Glasgow	S	-3	27	Moscow	S	-27	17	Strasbourg	S	-11	12
Belgrade	F	4	39	Guernsey	Sn	-2	28	Munich	Sn	-15	5	Sydney	S	27	81
Berlin	S	15	5	Helsinki	S	-30	-22	Nairobi	F	24	75	Taipei	-	—	—
Biarritz	S	3	37	H. Kong	S	21	70	Naples	R	11	52	Tangier	S	14	57
Bombay	F	26	79	Innsbruck	Sn	-9	16	Nassau	-	—	—	Tel Aviv	S	16	61
Bordeaux	S	-3	27	Inverness	S	-4	25	New Delhi	F	16	61	Tenerife	S	21	70
Brussels	S	-10	14	Isl'mabad		—	—	New York	C	4	39	Tokyo	F	5	41
Budapest	Sn	-4	25	Istanbul	S	11	52	Nice	F	9	48	Toronto	Sn	-3	27
B. Aires	-	—	—	Jakarta	-	—	—	Nicosia	-	—	—	Tunis	F	12	54
Cairo	S	18	64	Jersey	C	-2	28	Oporto	S	8	46	Valencia	S	13	55
Cape Town	F	23	73	Jo'burg	F	23	73	Oslo	S	-18	0	Venice	Sn	0	32
Caracas	-	—	—	Lima	-	—	—	Paris	-	—	—	Vienna	Sn	-13	9
Casablanca	C	17	63	Lisbon	S	10	50	Peking	S	-3	27	Warsaw	C	-19	-2
Chicago	C	-1	30	London	C	-3	27	Prague	C	-18	0	Washington	F	3	37
Cologne	S	-10	14	Los Angeles	F	9	48	Reykjavik	C	5	41	Zurich	Sn	-11	12
Copenhagen	S	-15	5	Luxembourg		—	—								
Corfu	F	11	52	Madrid	S	7	45								
Dallas				Majorca	S	12	54								
Dublin	Sn	-1	30	Malaga	S	13	55								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EMS realignment near

Continued from Page 1

rency markets. Officials believe that the imminence of the West German elections restricted the finance ministers' room for manoeuvre.

Central banks in Europe and Japan are estimated to have spent more than $10bn last week both in supporting the currencies within the EMS, and in countering the weakness of the dollar against the yen und the D-Mark.

By Friday evening, a realignment of EMS exchange rates appeared inevitable, precipitating the emergency meeting of the monetary committee.

Saunders goes after clash with directors

Continued from Page 1

sion fund, the Post Office and British Telecom pension fund and the merchant bank, Robert Fleming.

Mr Saunders was on holiday in Switzerland over Christmas when further damaging information emerged about the arrangements made by Guinness and its merchant bank, Morgan Grenfell, to buy back Guinness shares at inflated prices.

The shares were bought from investors whose purchases had boosted the Guinness share price during the final stages of the take-over battle and thus increased the value of its offer for Distillers. The news led to the resignation of Mr Roger Seelig, Morgan Grenfell's leading corporate financier, and the severance of relations between Morgan Grenfell and Guinness.

Mr Saunders returned to work last Monday determined to resist any calls for him to step down. Before he went away, Mr Saunders had put his job on the line by assuring the independent directors that he personally knew of no malpractice which had not yet come to light. At a lengthy board meeting on Tuesday evening he faced a showdown.

After the meeting, the directors issued a statement implicating Mr Roux – who was not present – but leaving Mr Saunders' position in abeyance. Thereafter, Mr Saunders increasingly withdrew from contact with the other directors and stayed entrenched and isolated in his office.

Meanwhile, the DTI inspectors had been taking evidence on oath from two of the leading figures in the drama, Mr Seelig, who appeared twice before them, and Mr Roux. Mr Seelig is believed to have admitted that Guinness money was used indirectly as an inducement to purchasers of its own shares in possible breach of the Companies Acts. He said it was a practice often used by merchant banks in takeover battles.

The inspectors then interrogated Mr Roux who has kept away from the Guinness offices since before Christmas. He confirmed the bulk of Mr Seelig's evidence and went on to explain the details of further deals between Guinness and two US financial operators, Mr Boesky and Mr Meshulam Riklis.

Both assisted the Guinness bid by purchasing large volumes of shares in both Guinness and Distillers. Mr Riklis' company, Schenley Industries, had a lucrative contract to distribute a Distillers' whisky brand in the US and has since been awarded another such contract by the Guinness management.

Mr Roux's evidence made clear that Mr Saunders had intimate knowledge and had authorised most of the transactions under scrutiny.

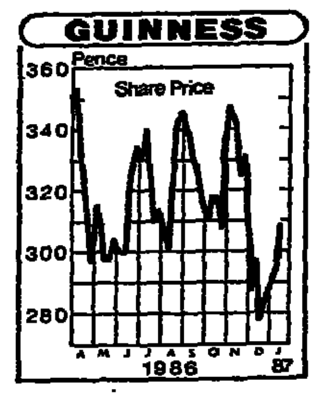
Mr Saunders' fate was sealed by a letter sent by Mr Roux's solicitors to Sir David Napley, the solicitor advising Guinness in its dealings with the DTI. The letter, which detailed the evidence given by Mr Roux to the DTI, was then passed to the other directors and undermined any remaining support for Mr Saunders.

Mr Jonathan Guinness, a non-executive director and a member of the Guinness family, withdrew from giving public, if qualified, support to Mr Saunders on television on Friday evening when he was shown the letter.

THE LEX COLUMN

Looking for a stout fellow

To be an independent director of Guinness must be one of the least enviable honours that the business world has to offer. Having been appointed in the rather optimistic hope of putting an occasional stopper on the Saunders fizz, the five independents now have the task of mopping up after the bottle has exploded. Guinness without the management which put it together looks increasingly like the old Distillers, but now saddled with post-acquisition debt and faced by all manner of parties who may be contemplating the courts as a way to recover damage received in the course of a bruising takeover.



The choices available to the non-executives, aided by their allies at the institutions and the Bank of England, are dispiritingly few and tediously familiar. They must either inject a credible top management or find a suitable corporate home for the disparate business portfolio that the Saunders management assembled. Whichever course is ultimately chosen, procrastination is not an option. The year-long search for a new man in which Beecham indulged after the departure of Sir Ronald Halstead is not a luxury that Guinness can afford. To re-establish the credibility of Guinness as a company – and to stabilise the share price – demands well-judged and rapid action.

The simplest way forward, on paper, is to elect as caretaker-chairman one of the five independents, and give him the mandate of picking a chief executive. It would be reassuring in some ways if the new chief executive could be plucked from the Guinness boardroom, giving shareholders and employees some assurance that the new management at least understood the Saunders strategic plan. But before choosing this answer, the independents must be clear on two points: they need to be sure that none of the mud will stick to the man they choose, and they must be confident that he is actually up to the job.

Experience

It is no reflection on the abilities of the remaining executive directors – all highly respected operational managers – to point out that their experience does not extend to driving forward a company the size of Guinness. Nor can it be easy for these executives, before the inspectors have drafted the complete report, to show that present scandals will not return to haunt any new regime that is constructed out of the old.

For such basic reasons, it may be hard for the independents simply to patch up the Guinness management structure from within. No novelty, then, to hear the cry that usually goes up in the City when a large company flounders: let it all be taken over once more. Hopeful kite-flying has even hoisted the name of Argyll as a potential rescuer of the shareholders' bacon – largely because control of Guinness may be the one consideration to deflect Mr Gulliver from trying to take Guinness for some of the heaviest damages ever awarded in a British court.

Detail

While the Argyll team has at least the merit of having made a detailed study of Distillers before their own attempt to take it over, even the old Distillers was enough of a managerial stretch to give some Gulliver supporters pause; the enlarged Guinness, plus or minus the present Argyll group, might be enough to snap the elastic. Perhaps the strongest argument for an Argyll solution, among possible escapes through merger, is that Argyll is familiar with the drinks industry (which is a useful qualification in a saviour) without being a major force within it (which would cry out for a monopolies reference).

On balance, looking to Argyll for assistance would be unfair to Argyll shareholders, however satisfying personally to its management, and would risk compounding the present difficulties of Guinness. At this stage, to pile on yet another takeover would amount to covering up the evidence of a previous mistake.

Calibre

Even the most holistically inclined institutions would surely think twice about the suggestion that creating a still larger conglomerate is now the best means of ensuring that Guinness receives management of the necessary calibre, even if it could be achieved without gearing up the company all over again. Sir Owen Green, and Lord Hanson for that matter, need not expect the call.

On the face of it, the complementary drawbacks of an internal patch-up and of a merger solution leave the non-executive directors with little choice but to head-hunt a new Messiah. It is one of the unfortunate consequences of corporate aggrandisement on the Guinness scale that such a person may well fail to materialise, at least in this millenium.

And if the candidates do not quite measure up to the job, it may be necessary to think about cutting the company down to a size where it can indeed be effectively managed. Though Mr Saunders had ideas about the future role in Guinness of health farms and chains of newsagents, an incoming management might find urgent reason for trimming off some of the more distracting bits and pieces: a means of pulling in cash, certainly, but primarily as a way of proving concentration on the job in hand.

If, as has been suggested over the weekend, an interim reshuffle brings old Distillers management floating back to the surface, that emphasises how risky it was to create a large group whose coherence relied so heavily on the presence of two men. Institutions who had begun to forget the chronic dissatisfaction which caused them to put Guinness into play may well shudder again at the memory of Distillers' past. There will be no denying that much of the Saunders/Roux streamlining must be preserved – in everybody's interest – but the wider strategic ambitions may well have to go.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday January 12 1987

INTERNATIONAL BONDS

Steady start for dollar issues

BY CLARE PEARSON IN LONDON

EUROBOND SYNDICATE managers were dusting off their calculators and getting the new issues market going again for the new year last week. Most dealers were pleasantly surprised by the issues that they came up with.

"There have certainly been some well conceived deals this week" said one syndicate manager. "Though retail investors weren't necessarily coming out of the woodwork."

The weakness of the dollar continued to deter investors from the dollar sector. And they were hardly reassured by the behaviour of the US Treasury market, which at first drifted and later fell on some disappointing US economic data.

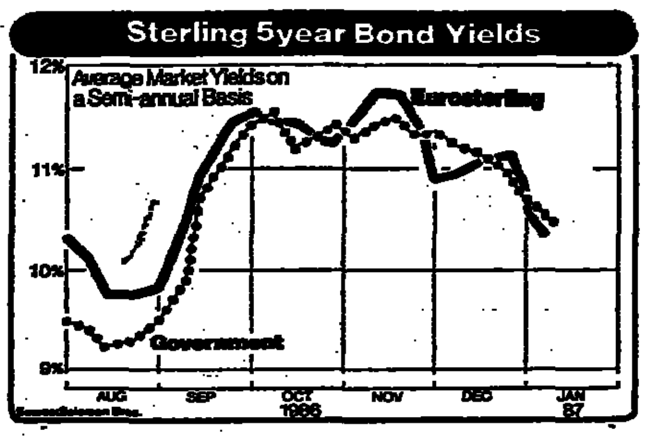
Given this indifferent backdrop, dealers were surprised to see how well last week's fixed rate dollar issues went. It obviously helped that most of them were for sovereign or state-backed names. But they tended to be sensibly priced as well.

The issues that stood out the most were a seven-year bond for Crédit Agricole, and a five-year deal for the World Bank. This issue was helped by the fact that it was the first World Bank paper of this maturity for around three years. Both deals were quoted at levels within the co-managers costs.

Of course, an active week in the Eurobond new issues market never fails to produce its casualties. In this case, it was a $500m deal for Denmark, the most frequent issuer in the Eurobond market in 1986, which was seen as over-aggressive. Nomura International announced the deal on Thursday but was still putting the management group together by the end of Friday.

Elsewhere in the fixed rate dollar sector, the UK building societies put in a debut appearance. The deals presage further issues in other currencies as, now that the 1986 Building Societies Act is in force, the societies may borrow in any currency provided that they swap it all back into sterling.

This will put further pressure on the societies to increase investor familiarity outside the UK with their changing field of business. Most dealers felt it would help if the societies were rated.



Opinion was divided last week about how much overseas demand their issues evoked but the UK institutions were certainly the main takers.

The Halifax and the Abbey National both launched deals on Tuesday to a similar favourable response from the market. However, both issues were hindered by a last-minute change to their documentation.

Building society issues have traditionally contained provisions allowing for the bonds to be removed from the market should the societies decide to become public limited companies. In this case, investors have had the right to demand their money back, while the societies have been able to redeem the bond compulsorily.

This provision had not troubled the societies so long as they were issuing in sterling. But the problem with allowing investors to force the redemption of a foreign currency bond is that the society is left with the swap.

The solution that the Abbey National chose was to remove the provision altogether, so that the borrower cannot call the bond, nor the investor put it, in the case of a change in corporate structure.

In response, CSFB, which led the Halifax deal, announced a late change to its documentation, which took the issue in a different direction. This laid down that the society could only call the bond if bondholders demand it.

Some dealers said this clarification helped the performance of the Halifax issue. Others, thought that only an obscurantist would say so. Both deals were quoted almost neck-and-neck at around the level of their total fees.

In the floating rate note market, there were setbacks for those who expected the perpetual sector would pick up in the new year after a sell-off and temporary closure at the beginning of last month.

On Wednesday and Thursday the market fell sharply again as dealers struggled to unload their positions. This produced falls of up to seven points in some issues. But later the bonds recovered about two-thirds of their losses on shortcovering. By the end of the week about 10 to 12 houses were making markets in the issues, with about half of them quoting prices on a ¼ point spread, as had been agreed in meetings last month.

Elsewhere, two of the higher-yielding sectors of the Eurobond market – the Australian dollar and sterling – were playing an unusually active part in the new issues market. Both were reaping the harvest of several weeks of strong retail demand, particularly from continental European investors, fuelled by renewed confidence in the currencies.

The major impetus for the three continental banks that tapped the sterling market was that Eurosterling yields in the secondary market had fallen temptingly below those of gilts, allowing them to swap into floating rate funds at attractive rates. Demand for sterling securities had found Eurosterling paper in short supply.

However, most of the new issues last week were quoted at discounts to issue price slightly outside the level of their total fees in conditions that looked congested. US and Japanese investors find Eurosterling yields at levels below those available on gilts unattractive, so the onus is on the continental retail to mop them up. Fortunately, the bonds were for names that appeal to this type of investor.

Meanwhile, the Ecu made a reappearance in the new issues market, with two deals appearing.

Investors in Japan, who became increasingly frequent players in the Ecu market at the end of last year, and some in Europe, apparently regard the Ecu as a safer bet than individual continental currencies in an uncertain environment ahead of the expected European Monetary System realignment.

The West German market was in undecided mood last week as prices ended up mixed. Investors were increasingly sidelined ahead of the announcement of an EEC Monetary Committee meeting at the weekend.

Switzerland was in more active form on hopes of lower interest rates. Prices ended higher on the week and high volume, and two issues were announced with 4½ per cent coupons, the lowest seen since May 1986 in the foreign bond market.

ENI to dispose of textile offshoot

By Alan Friedman in Milan

ENI, ITALY'S state energy holding group, has decided to go ahead with the disposal of Lanerossi, the textile and clothing company – a deal which could turn out to be its largest privatisation sale to date.

It is not known how much ENI expects to raise by selling off Lanerossi, which last year broke even after recording 1985 losses of L25bn ($18.4m) on turnover of L577bn ($424.3m).

Paribas, the French merchant bank, has been given the mandate by ENI to evaluate the privatisation and a report is likely before the end of this month.

ENI said at the weekend that Lanerossi, which has 11 factories and employs 7,200 people, is regarded as a non-strategic asset and therefore a candidate for privatisation.

It is not known whether the whole of Lanerossi may be sold off, as was the case with the recent disposal of Alfa Romeo by the IRI state holding group, but this is considered a distinct possibility.

Among private sector companies understood to be interested in acquiring Lanerossi from ENI are Benetton, the internationally successful casual clothing maker, and Marzotto, a clothing and textiles company.

Although ENI's principal vocation is energy, it was obliged by political pressures to rescue Lanerossi in 1962 in order to safeguard employment in politically sensitive areas.

Lanerossi's 11 factories are spread over the Veneto, Lombardy, Tuscany and Calabria regions, with the largest factories in the Veneto in north eastern Italy.

The company made huge losses in the 1970s, but has undergone major financial and industrial restructuring in recent years.

The company's net debt is around L130bn ($96m)

EURONOTES AND CREDITS

Weighting rates refined

BY ALEXANDER NICOLL IN LONDON

THE BANK of England's imposition in 1985 of a rough-and-ready 50 per cent capital weighting for some off-balance sheet commitments caused business neither to stop nor to drain away from the centres where it applied, as some bankers feared.

Similarly, the capital adequacy proposals announced last week jointly by the Bank and the US Federal Reserve, though clearly of great importance to international banks, are thought unlikely to cause big changes in market activity. Indeed, the early reaction from bankers was that the plans were sensible.

The 1985 action, which was matched by West Germany and the Netherlands and followed by lower requirements in the US, Japan and France, meant that note issuance facilities (Nifs) and revolving underwriting facilities (Rufs) must be backed by half the amount of capital that would be required for a straightforward loan.

In fact, the actions came when the market was already reaching its peak. Thanks to market developments, and not regulatory action, growth of the Euronote market slowed last year. Instead of arranging Nifs or Rufs, many borrowers were encouraged by the growth of the Eurocommercial paper market to go straight for the latter.

The new proposals will have some effects, however. They refine the present requirement by distinguishing between the risks – and consequently the weighting – associated with different maturities. The aim is to make maturity the key determinant of risk weighting rather than the exact type of instrument.

"Maturity to some extent serves as a proxy for instrument-type", as the joint document puts it.

The obvious consequence will be that it will be cheaper to arrange one-year facilities – with the potential for rollover – carrying a 10 per cent weighting, or one-year-plus up to five years, with 25 per cent weighting, than facilities of over five years which will attract 50 per cent. So the number of facilities of longer duration is likely to shrink and borrowers will probably have to pay a premium for them.

Owing to a change of reporting structure introduced by the AIBD on January 2, a number of bond prices do not appear this morning. We apologise for any inconvenience to readers.

The proposals could put paid to one recent trend. Instead of arranging Nifs or Rufs to back commercial paper issuance or for other contingent purposes such as financing of takeover bids, borrowers have increasingly been arranging revolving loans which attract a full weighting for bank capital measurement if they are drawn, but no weighting at all if they are not.

The relative advantage of this practice will disappear under the new plan, and revolving loans will become more expensive for borrowers. The Bank of England had, however, made clear to bankers that all contingent exposure would eventually come into the net, so this should not come as a surprise.

Still to come are parallel moves from bank supervisors in other countries, and the determination of capital requirements for more complex transactions such as swaps and options. Central bank boffins are still struggling with these.

In the markets, Dee Corporation, the UK retailing group, appointed Morgan Grenfell to arrange a £400m multi-option facility of which £200m is to be committed.

The seven-year deal has a maximum margin of 10 basis points over Libor for the first two years and 12.5 basis points thereafter. Though the facility fee is 6.25 basis points, Dee has the right to declare half the backup unvailable and therefore pay a fee of only 3.5 basis points on it.

Whitbread, the UK brewing group, is also refinancing existing debt with a $150m seven-year multi-option facility, including a $100m standby, mandated to Barclays de Zoete Wedd, running parallel with a $150m Eurocommercial paper programme with BZW, Citicorp Investment Bank and Swiss Bank Corporation International as dealers.

The standby has tender panels, a 6.25 basis point underwriting fee, a maximum margin of 12.5 basis points and a front-end fee of 7 basis points for the 12 relationship banks among whom it has been syndicated.

Citicorp has arranged a $500m revolving credit for CPC International, a New Jersey food concern. The three-year facility has a margin of 17.5 basis points, a commitment fee of 8 basis points, and utilisation fees of up to 10 basis points. Ten banks – not including Citibank – have put up $50m each.

Denmark's De Danske Sukkerfabrikker, an industrial group, has mandated Citicorp for a $75m five-year multiple facility of which $45m will be committed, with a facility fee of 6.25 basis points and an interest margin of 10 basis points.

New programmes include a £150m certificate of deposit issuance facility for the London branch of Credit Commercial de France, with S.G. Warburg and Morgan Grenfell as dealers; and a $150m Eurocommercial paper programme for Jacobs Suchard, the Swiss confectionery company, with SBCI, Union Bank of Switzerland (Securities) and S.G. Warburg as dealers.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,976.8	141.0	477.8	2,983.8
Prev	1,171.7	0.5	780.2	1,167.2
Other	1,114.1	217.3	294.7	118.1
Prev	70.9	86.1	4.4	18.1
Secondary Market				
US$	5,826.3	538.9	2,106.1	3,618.1
Prev	6,275.6	675.6	3,478.1	2,801.1
Other	3,754.1	186.6	962.4	2,980.7
Prev	4,672.5	83.3	772.1	2,380.7

	Cedel	Euroclear	Total
US$	6,570.9	10,873.1	17,444.0
Prev	6,292.2	11,732.4	18,024.6
Other	4,200.0	5,296.9	9,496.9
Prev	3,463.4	5,152.7	8,616.1

Week to Jan. 8, 1987 — Source: AIBD

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Base rate hopes help underpin market

PREDICTIONS concerning the sheer inevitability of a new year sterling crisis, so rife late last year, have so far proved wide of the mark. Instead, the pound has sat on the currency market sidelines, well removed from the scrummage, as speculative attention has concentrated upon the still-tumbling dollar and the creaking strains this has accentuated within the European Monetary System.

Previous January crises have been engendered by a potent mixture of oil price and political anxieties. This time round, by contrast, the markets are far more relaxed on both these scores.

The hard-won Organisation of Petroleum Exporting Countries agreement has been given the benefit of the doubt and spot prices have held steady in their new, higher $18 terrain. As for domestic economic policy, short-term interest rates are already high by international standards and Mr Lawson has gone out of his way to dampen down expectations of a give-away budget. Even so, the uninterrupted stream of better-than-expected public borrowing news has enhanced the chance that tax cuts can safely be made in the up-coming budget without imperilling next year's £7bn public sector borrowing requirement target.

Fear of a repetition of previous new year sterling sell-offs—and the interest rate rise this might elicit—cast a pall over the gilt-edged market late last year.

More recently, however, there has been a turnround in interest rate expectations. Instead of bracing themselves for higher interest rates, many gilt markets players seem now to be expecting the next move in base rates to be down—and fairly soon at that. Such hopes have played a leading role in pushing down gilt yields in the past fortnight.

Generating this optimism has been the firming of the high-profile pound/dollar rate. Widespread expectations of near-term reductions in overseas rates—notably in the US but also, quite possibly, in Germany—have played a important part too.

In our view, however, a number of powerful considerations suggest that base rates will not be cut but will, instead, stay put.

The pound, for instance, is not robust at present. It may have risen vis-a-vis the dollar but against the other major currencies it has weakened. To cut interest rates would risk undermining the currency, especially if the markets thought (as well they might) that this was a first instalment—to be followed by further reductions, and a currency slump is the last thing Mr Lawson will want in the run-up to what has the potential to be a politically-attractive budget.

Furthermore, the economy appears now to be expanding quite nicely and unemployment, having risen inexorably for so long, is at last on a downward path. Accordingly, there is little necessity to reduce rates to stimulate demand.

Finally, other indicators of monetary stance do not suggest that longer interest rates are in order. Credit growth is currently strong and promises to remain so; £M3 and other measures of broad money continue to grow fast; and the annual rate of growth of M0, having risen sharply in recent months, threatens to breach the 2-6 per cent range in coming months.

Domestic arguments apart, it is highly unlikely that foreign central banks will cut rates, thereby indirectly offering the UK a helping hand. US growth promises to be more robust in the first half of 1987 than the consensus now predicts, with the consequence that the Fed, already concerned about continued dollar weakness, will not feel under any compulsion to make another cut in its discount rate. As for the Bundesbank, no cut in interest rates is likely in the near-term, despite the upward pressure upon the D-Mark.

But even if there is no base rate cut between now and the Budget, what about in its immediate wake? After all, there has been a Budget-associated cut in interest rates every year since 1981 and something similar cannot be ruled out in a potential election year.

Interestingly, however, this argument is less strong than in previous years. There will be no January rise in rates which can be easily reversed and the Budget should be a popular tax cutting one anyway. Indeed, the Chancellor's natural caution might make him consider lower rates an optional extra, and a risky one at that.

Ian Harwood
John Shepherd
Warburg Securities

US MONEY AND CREDIT

Institutions lead buying spree

WALL STREET has swept into 1987 in great style. The Dow Jones Industrial Average roared through the 2000 level last week and the enthusiasm spilled over into the credit markets where investors stubbornly refused to heed some flashing warning lights and pushed yields on fixed income securities down to their lowest levels for a long time.

A massive leap in the weekly money supply figures, further weakness in the dollar and stronger than expected December employment figures, which pushed US unemployment down to its lowest level since March 1980, could not shake the confidence in the bond market. The prices of longer dated government securities rose by close to 1½ points and corporate bonds put on an even stronger performance with the result that the spreads over comparable Treasury issues have narrowed considerably.

Smith Barney's latest credit market comment notes that investors have been buying

Owing to a change of reporting structure introduced by the AIBD on January 2, a number of bond prices do not appear this morning. We apologise for any inconvenience to readers

corporate bonds of "any size, shape and colour" and says that more than average attention was being paid to higher yielding 10-year triple B issues. A limited supply of new corporate paper, "excessive redemption activity throughout 1986," combined with "new money" from insurance companies and pension funds have led to a surge in demand.

This has been very good news for corporate treasurers. Two new issues which sold "extremely well," according to Smith Barney, were Union Pacific, which raised £200m of 30-year sinking fund debentures, and Hercules, which raised $100m of similar dated paper. Both issues carried a 8.5 per cent coupon, and were priced to yield 8.7 per cent and around 120 basis points over comparable Treasury issues.

However, some of the first deals of the New Year have been far too aggressively priced for many investors. Smith Barney singles out Aetna Life's 30-year debentures priced to yield 8.2 per cent and a similar dated issue for Philip Morris priced to yield 8.55 per cent. The first yielded a mere 70 basis points more than the 30-year Treasury and the second yielded 105 points. Smith Barney says that both issues were received poorly.

The performance of the credit markets in the opening days of 1987 has been surprisingly strong but few pundits believe that US interest rates in 1987 will fall as far as they did last year following the dramatic fall in world oil prices. Three-month Treasury bills shed 132 basis points, ending the year at 5.65 per cent, and long-term government bond yields dropped by 178 basis points and started the New Year at 7.5 per cent.

Helped by the sharp fall in the Fed Funds rate in recent days, three-month Treasury bill rates had slipped to 5.37 per cent by last Friday and the yield on the closely watched government long bond was down to 7.28 per cent. To put this in perspective, the average estimates of a recent survey of 35 leading US economists showed three-month Treasury bills yielding 5.34 per cent at the end of 1987 and long-term government bonds yielding 7.42 per cent.

The credit markets continue to take strength from the belief that weakness in the US economy in the opening months of the current year will force the Federal Reserve to cut its discount rate and the possibility that the Government's short-term borrowing requirement will be lower than expected because of a surge in tax revenues. Mr David Jones of Aubrey G. Lanston, for example, suggests that the Government may need to raise no more than $15bn to $20bn in the current quarter, compared with $35.1bn in the first quarter of 1986.

However, a number of factors could yet puncture the buoyant mood. This week's December retail sales and industrial production figures, for example, will give some clues about the underlying strength of the economy. If industrial production rises by much more than 0.2 per cent and retail sales rise by more than the expected 1.5 per cent, the news could dampen the enthusiasm for an early discount rate cut.

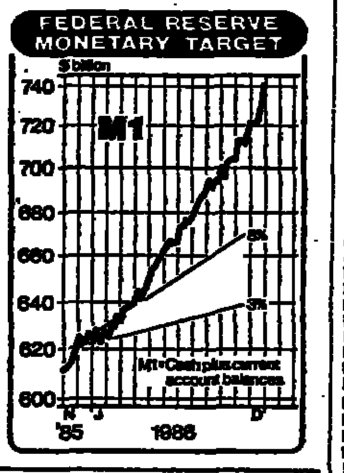
Equally important, will be events in Washington and on the foreign exchange markets. Concern about the fate of the dollar and the record US budget deficit have been subdued of late, but are likely to reemerge as key factors influencing the bond market.

Last week saw President Reagan mark the return of the 100th Congress by submitting the first trillion dollar budget in US history and paint a glowing picture of a prosperous economy which the Administration expects to grow by 3.2 per cent in 1987. This figure is higher than most independent estimates and explains why many observers are sceptical that the Government will be able to meet the $108bn deficit target for the year beginning October 1, 1987, set out in the Balanced Budget and Emergency Deficit Control Act, commonly known as the Gramm-Rudman Hollings Law.

"If the deficit reduction goals were to be abandoned, we could see unparalleled spending growth that this nation cannot afford," said President Reagan last week. Brave words. Nevertheless many observers expect that faced with a choice of raising taxes or cutting spending to cover the revenue shortfall, the Administration and Congress will fiddle the ground rules so that they can circumvent the Gramm-Rudman targets.

William Hall

FEDERAL RESERVE MONETARY TARGET



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.30	11.34	5.92	11.34	5.71
Three-month Treasury bills	5.37	5.65	5.46	7.28	5.07
Six-month Treasury bills	5.44	5.55	5.51	7.38	5.08
Three-month prime CDs	5.87	6.00	5.98	8.05	5.46
30-day Commercial Paper	5.80	6.10	6.00	7.90	5.56
90-day Commercial Paper	5.70	5.96	5.85	7.80	5.48

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅝	+ ¾	6.98	7.00	N/A
20-year Treasury	119	+ 1	7.48	7.65	7.72
30-year Treasury	102¾	+ 1¼	7.28	7.40	7.40
New 10-year "A" Financial	N/A	+ 2½	7.98	8.25	8.13
New "AA" Long utility	N/A	+ 2¾	8.63	8.88	8.75
New "AA" Long industrial	N/A	+ 5	8.40	8.88	8.75

Money Supply: In the week ended December 29 M1 rose by $10bn to $741bn.
Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1985 = 100	1/1/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	132.50	4.87	132.08	128.86	126.36
Government Bonds	133.36	4.53	132.96	129.80	127.80
Municipal Bonds	132.83	5.32	132.36	128.80	126.70
Government-Guaranteed Bonds	133.58	5.36	133.11	128.28	126.34
Bank Debentures	128.47	4.55	128.45	125.73	123.42
Corporate Bonds	131.06	5.78	130.62	128.03	126.33
Yen-denominated Foreign Bonds	133.36	6.46	133.00	130.15	127.01
Government 10-year†	5.32		5.36	5.71	5.61

† Estimated par yield.
Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅛ 94	100	105½	0	11.00
AIDC 11 88	75	105⅝	0	7.34
Alcan Australia 8½ 89	25	100	+0½	8.47
Amer Saving 12 89	125	0		
Amer Saving 12⅞ 89	100	0		

	Issued	Price	Chg. on week	Yield
Norsk Hydro 8 96	150	0		
Nova Scotia 11⅛ 91	100	106⅞	+0⅞	9.91
Nova Scotia 11⅞ 98	100	112½	0	9.94
Oester Post 12⅝ 89	75	0		
Ontario Hydro 11⅞ 94	200	120½	0	7.75
Ontario Hydro 11⅜ 90	200	114⅞	+0⅜	7.05
Ontario 12⅞ 94	250	0		
Pacific Gas & El 12 00	75	118½	+1	9.47
Penney J C 11⅞ 90	100	104¼	−0¼	10.41
Penney J C 12⅜ 91	100	112¾	0	9.39
Postipankki 11⅛ 90	75	109½	+0½	7.63
Post-Och Kred 13½ 87	50	103¾	0	7.17
Privatbanken 12⅞ 95	100	0		
Prudential Ins 12⅝ 87	150	0		
Pru Rlty Secs 0 99	385	27¼	0	8.56
Pru Rlty Secs 11⅞ 92	386	110½	0	9.17
Pru Rlty Secs 12⅛ 95	545	119¾	0	8.61
Quebec Prov 12⅝ 94	150	0		
Queensland Gvt 11⅜ 89	100	110¼	0	7.19
RBC 11⅞ 90	100	0		

	Issued	Price	Chg. on week	Yield
Rural Bk Aust 12 91	50	0		
Sanwa Bank 11⅞ 92	150	0		
Sanwa Intl 11½ 92	100	0		
Saskatchewan 10⅝ 92	100	112½	0	7.70
Saskatchewan 10⅝ 90	125	109½	0	7.28
Saskatchewan 11⅞ 89	100	111⅞	0	7.11
Saskatchewan 15 92	150	0		
Saskatchewan 16 89	125	117½	−0½	7.10

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Sumitomo Trust ⅛ 94	100			6⅝
Sweden 90	700			6⅝
Sweden ⅛ 00	750			6⅞
Taiyo ⅛ 04	100	100	0	6⅞
Takugin ⅛ 94	100			6⅝
Thelisad ⅛ 05	60	98⅞	0	6⅝
Toronto-Dominion ⅛ 92	100	100⅛	0	6⅞
United Kingdom ⅛ 96	4.0bn			6⅝
United Kingdom 92	2.5bn			6⅝
Wells Fargo ⅛ 94	150			6⅝
Wells Fargo ⅛ 96	80	99⅝	+0⅛	6⅝
Woolwich Equit ⅛ 95	200	99⅞	0	11⅞
Yokohama ⅛ 94	100			6⅞
Yorkshire Int ⅛ 94 £	75			11⅞

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	0		
Ajinomoto 5½ 96	40	0		
Best Denki 5⅞ 97	15	0		

OTHER STRAIGHTS	Issued	Price	Chg. on week	Yield
Canon 7 97	50	0		
CIR Intl 4⅞ 95	85	0		
Daiwa Secs 5½ 96	60	0		
Electrowatt 5 96	51	132	0	−8.35
Fuji Bank 2⅝ 00	100	0		
Fujitsu 3 99	150	0		
Intec Inc 3 99	50	0		
Kyowa Hakko 5⅛ 97	40	0		

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Renown	24/1/89	0		
Seino Transportatn	17/3/89	23	0	7.26
Soc Gen Surveillnc	30/6/91	77½	0	−1.77
Swiss Bank Corp.	20/12/88	0		
Swiss Volksbank A	1/12/88	0		
Swissair Finance	19/9/89	0		
Union Bk Switz A	30/11/88	0		

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	15/2/88	0		
Coca Cola 11⅛ 91	28/11/88	0		
Dart Kraft F 10⅛ 96	1/1/96	0		
Denmark 12⅛ 92	31/1/90	0		
Eksportfinas 13⅛ 89	16/9/87	0		
Holland Air 11⅛ 91	10/8/88	0		
Ind Bk Jpn 12⅞ 91	5/10/89	0		
Mitsbishi Fn 12⅝ 91	8/11/89	0		
J P Morgan 11⅞ 90	15/8/87	0		
Texaco Cap 12⅞ 92	1/9/87	0		
Wils Frgo A 12⅛ 91	27/12/89	0		
Weyerhsr C 11⅞ 90	15/11/87	0		

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on January 9.

E.F. Hutton to shed life side for $300m

By William Hall in New York

E. F. HUTTON, the Wall Street brokerage firm whose lacklustre performance and poor management has made it a frequently mentioned takeover target, has agreed to sell its profitable insurance operations and says that it expects to report a "substantial loss" for 1986 because of the need to protect clients from losses on some of its products.

Hutton had put its insurance operations up for sale last November and the decision to sell them for $300m in cash to the Los Angeles-based First Capital Holdings, and book a $100m pre-tax gain, comes as little surprise to Wall Street.

However, the news of the $130m special reserve is the latest of a string of financial embarrassments for Hutton.

The group says that the reserve was "principally created to cover the firm's exposure relating to the structure of certain of its products and changes in the tax laws."

For the first nine months of 1986 Hutton's insurance operations, which have $2.7bn of assets and over $17.5bn of life insurance in force, earned $12m.

Big profit rise seen for mines

By Stefan Wagstyl in London

THE MINING industry is set for average profit increases of nearly 60 per cent in 1987 despite the continuing depression in base metal prices, according to a London stockbroker.

Morgan Grenfell Securities says 32 of the world's largest mining companies should between them earn net profits of about $3.7bn this year, compared with an estimated $2.35bn in 1986, which was itself a 34 per cent increase on 1985.

The recovery is the result of the industry's efforts to cut costs by closing unprofitable mines and smelters, reducing manpower and thinning out management, says the broker.

Caterpillar

A headline in later editions of the Financial Times on Saturday wrongly stated that Caterpillar was to close 30 plants. As the story itself made clear, the company is expected to shut some of its 30 plants.

Michelin unveils deal for South Korean production link

BY PAUL BETTS IN PARIS

MICHELIN, the French tyre group, is teaming up with Wuon Poong, the third biggest South Korean tyre maker, in a joint tyre production venture in South Korea for the local market and other Far East countries.

The deal is part of a new drive by Michelin, the world's second largest tyre maker after Goodyear of the US, to increase significantly its penetration in the Far East, after developing its presence over the last 10 years in the North American market where it has invested $1bn and built 8 plants.

Michelin confirmed last night that it had signed an agreement with Wuon Poong to form a 50-50 joint venture which will produce 5,600 tyres a day at a recently completed plant at Yangsan, about 250 miles from Seoul.

The venture will be called Michelin Korea Tires and will manufacture radical car-tyres based on the French group's tyre technology.

With its agreement with Wuon Poong, Michelin appears to have taken a lead over its main rival Goodyear which had also at one stage been negotiating a production joint venture with Wuon Poong. These talks seem to have collapsed last year after 18 months with the Korean manufacturer subsequently turning to Michelin.

The French group would not disclose the cost of its share in the joint venture. However, Michelin is understood to have paid less than the full cost of its share because the price took into account the transfer of its technology and know-how.

The deal also marks a rare departure in Michelin's traditional "do it alone" strategy. The tyre group has never before entered into a 50-50 joint venture agreement with another manufacturer preferring, in its traditionally secretive and independent fashion, to control entirely its operations.

However, the French group felt that a joint venture was the best way to approach the South Korean market. The increasing tie-ups between Western car manufacturers – especially in the US – with Japanese and Korean groups coupled with the growth prospects of the Korean motor industry prompted Michelin's decision to invest in Korea.

The Korean car industry, which produced only 32,000 cars in 1972, is expected to produce 650,000 cars this year and 1m next year increasingly challenging the Japanese car sector.

Michelin's decision also reflects the need for local production to circumvent Korea's 45 per cent duty on tyre imports.

Michelin is banking on the move to increase significantly its sales in the Far East which currently total more than 2m passenger tyres a year.

Last year, the French group set up a marketing subsidiary called Michelin Far East to promote its sales in this area.

The latest Korean investment also reflects a return to a more aggressive, international development strategy by Michelin after successfully restructuring its operations and returning to profit.

Hoare Govett buys into Singapore broker

BY STEVEN BUTLER IN SINGAPORE

HOARE GOVETT is to become the first foreign stockbroker to own a large stake in a Singapore broking company.

The Singapore subsidiary of the London broking group said yesterday it has received permission from the Stock Exchange of Singapore to take a 49 per cent interest in a new brokerage which will be formed jointly with Summit Securities, a local company with a seat on the exchange.

The move is part of a broader process of internationalising the Singapore market and arises in part from the need of Singapore broking houses to boost paid up capital to comply with regulations that come into effect this year.

Summit is one of the smaller broking companies in Singapore and otherwise might face difficulties raising its capital above the mandated minimum of S$10m (US$4.6m). The deal will also give Summit tht chance to expand its business beyond a strictly retail basis to institutional clients.

The new company will be called Hoare Govett Summit Securities. It is likely to be joined soon by Morgan Grenfell (Asia) which has applied to the stock exchange to own 49 per cent of a broking company to be formed with Su E-min & Co.

Under current stock exchange rules, foreign partners are not permitted to own a majority stake in member firms of the exchange.

This rule provoked considerable controversy last year when Sun Hong Kai Securities, of Hong Kong, proposed to take majority control of City Securities as part of a rescue operation. City Securities has since been placed into liquidation.

Mr J. Y. Pillay, managing director of the Monetary Authority of Singapore, which oversees the market, however, has publicly favoured allowing foreign companies to hold a majority share in local stockbrokers, and his view is likely to prevail eventually.

Mr Julian Beare, Hoare Govett's manager in Singapore, said yesterday that the agreement with Summit Securities allows for Hoare Govett to take a majority interest in the new company when stock exchange rules allow it.

Mr Beare said that Hoare Govett would be investing S$4.9m in the new company.

The new company will pay S$3.8m to Summit Securities for the stock exchange seat.

BNL to sell NBA stake

BY OUR MILAN CORRESPONDENT

BANCA Nazionale del Lavoro (BNL), Italy's largest state-controlled banking group, is planning to sell its 9.02 per cent shareholding in Nuovo Banco Ambrosiano (NBA), the Milan-based successor to the late Mr Roberto Calvi's bank.

Although the formal decision to sell the NBA stake is expected to be put to the BNL board on Wednesday, it is understood that BNL should realise proceeds of around L152bn ($112.6m) from the disposal.

Crediop, the Rome-based medium-term credit institute, is expected to buy just under half of the BNL stake in Ambrosiano, while the remaining NBA shares will go to other shareholders in NBA.

Poclain plans closures

BY GEORGE GRAHAM IN PARIS

POCLAIN, the troubled French mechanical digger producer, is to slim down its operations to support the financial restructuring announced last month.

The group plans to close its hydraulic components plant at Crepy and to eliminate overlaps between its own operations and those of the Case/Tenneco group.

The slimming exercise will be carried out after a refinancing programme which will write Poclain's capital down to a fifth of its former value and then raise FFr 700m ($109m) in new capital.

Case is already Poclain's major shareholder with a 44 per cent stake, but it has underwritten the capital increase.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
KfW ‡	200	1994	7	7½	100½	Deutsche Bk Cap. Mkts	7.406
Finland ‡	200	1997	10	7¼	101½	Morgan Guaranty	7.085
Halifax B. Soc. ‡	150	1992	5	7½	100⅞	CSFB	7.285
Abbey National B. Soc. ‡	200	1992	5	7½	100¾	Morgan Guaranty	7.316
Bond Brewing Holdings ‡	175	1991	4	0	72.85	Drexel Burnham L'bert	8.237
Izumiya Co. Ltd. ¶	50	1992	5	(3⅝)	100	Nomura Int.	-
Nacional Pacher Medellen ‡	60	1997	10	8¼	100¼	Morgan Guaranty	8.337
Credit Agricole ‡	150	1994	7	7½	100½	Bankers Trust, LTCB Int.	7.408
Denmark ‡	500	1992	5	7⅛	101¼	Nomura Int.	6.822
Eisai Co. ¶	100	1992	5	(3⅝)	100	Nomura Int.	-
Nestle Holdings ¶‡	100	1997	10	5	100	UBS (Secs)	5.000
World Bank ‡	300	1992	5	7	101	Deutsche Bk Cap. Mkts	6.758
AUSTRALIAN DOLLARS							
Australia & NZ Banking ‡	50	1992	5	14	101⅛	ANZ Merchant Bank	13.532
Govt. Insurance of NSW ‡	50	1991	4	14	101⅞	ANZ Merchant Bank	13.533
CSR Finance ‡	40	1992	5¼	14½	101½	Hambros Bank	14.027
BHP Finance ‡	75	1992	5	14¼	101½	Orion Royal Bank	13.816
Soc. Generale A'tralia ‡	40	1990	3	14½	101⅛	Hambros Bank	13.962
L'bk Schleswig-H'stein ‡	30	1990	3	14	101¼	Warburg Securities	13.488
Philip Morris ‡	75	1990	3	14⅛	101⅛	Salomon Brothers	13.590
Commerzbank ‡	75	1991	4	14	101⅛	Commerzbank	13.575
DSL Bank ‡	50	1992	5	14	101¾	Deutsche Bk Cap. Mkts	13.486
NEW ZEALAND DOLLARS							
Prudential Funding ‡	50	1990	3	17½	101¼	Mitsui Fin. Int.	16.836
D-MARKS							
Chrysler Fin. Corp. ‡	150	1997	10	6⅛	100	Morgan Guaranty	6.025
Hammerson Prop. Inv. ‡	150	1992	5	6	100	Dresdner Bank	6.000
BFCE ‡	200	1997	10	6⅛	100⅝	Dresdner Bank	6.040
SWISS FRANCS							
Bio Cap. Holding Co. (a)§	100	2002	–	(5⅝)	100	Bqe Gutzwiller, K. B.	*
Magal Finance ‡	80	1997	–	4¾	100	Credit Suisse	4.750
American Express Bk **‡	100	1994	–	4⅞	100	Shearson Lehman Amex	4.875
Oest. Kontrollbank ‡	200	1999	–	4¾	100	SBC	4.756
NTT **‡	200	1995	–	4½	100¾	UBS	4.387
CNT **‡	100	1994	–	4½	100¾	UBS	4.373
Tokyo Land **‡	70	1992	–	4¾	100⅛	UBS	4.721
Daiwa Bank **§	100	1992	–	(2)	100	SBC	-
STERLING							
Amro Bank ‡	50	1992	5	10⅜	101¼	Kleinwort Benson	10.045
Creditanstalt Bkverein ‡	50	1994	7	10½	101	Baring Brothers	10.213
ABN ‡	75	1992	5	10½	101⅜	Baring Brothers	10.134
ECUs							
EIB ‡	200	1994	7	7⅝	101½	SBCI	7.343
DKB Nederland ‡	100	1997	10	7⅞	101½	Morgan Stanley	7.655
LUXEMBOURG FRANCS							
Finland **‡	300	1993	6	7⅛	100	Kansallis Int. Bank	7.125
EIB ‡	1bn	1995	8	7	100	BIL	7.000
Aktivbanken **‡	300	1992	5	7¾	100	BIL	7.760
YEN							
CITIC (China) ‡‡	20bn	1992	5	7⅛	101½	Yamaichi Secs.	7.004

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. ⌀ With bond warrants. § Company-linked. (a) Collateralised convertible. Note: Yields are calculated on AIBD basis.

DIARY DATES

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

BOARD MEETINGS—
Finals:
Barr (A. G.)
Fleming Claverhouse Inv Tst
London Scottish Fin
Lowe (Robert H.)
Interims:
Ellis and Everard
Kenyon Secs
Ratners (Jewellers)
Tomkins (F. H.)

DIVIDEND & INTEREST PAYMENTS—
Barlow Rand 56 cts. Pf 52.5 cts
Birmingham Mint 2.5p
Brikat Group 2.5p
Caisse Centrale De Cooperation Econ 12¼pcLn 2013 6⅛pc
Cape Inds 1p
Coloroll 2.3p
Courtaulds 2.4p
Davis (Godfrey) 1.5p
Early's of Witney 8pcPf 2.1p
Goldsmiths Group 2.5p
Hambros 2.4p. Non-vtg 2.1p
Intnl Signal and Control 1.4 cts
May and Hassell 9½pcDb 1992-97 2.43pc
Metal Box 1.7p
SAC Intnl 1.35p
Scantronic Hldgs 0.6p
Scottish Metropolitan Property 2.45p
Sweden (Kingdom of) Fltg Rate Notes 2005 $342.29
Thorpac Group 1p
Treasury 10pcCnv 1991 £1.6385

APS Finance 11¼pcDb 1990 5⅝pc
Abbey National Bldg Society Fltg Rate Notes 2000 £282.29
Agricultural Mortgage Corpn 6¼pcDb 1992-94 3⅛pc. 5½pcDb 1993-95 2¾pc
AmBrit Intnl 9pcLn 1996 3.48 cts
American Medical 9⅞pcLn 2011 4¹⁵⁄₁₆pc
Arbuthnot Govt Securities Inc Pf 2.5p
Assoc Electrical Inds 6¼pcDb 1986-91 3⅛pc
Bank of New York Overseas Finance Fltg Rate Notes 1996 $151.74
Barclays Bank 12pcLn 2010 6pc
Canadian Imperial Bank of Commerce 15¼pcDbs 1989 1⅞pc
Capital 7¾pc 1997 3.875pc
Chrysler Corpn 35 cts
Churchbury Estates 4.2pcPf 2.1p
Citicorp Overseas Finance Fltg Rate Notes 1982 $146.94
Costain 10pcLn 1983-88 5pc
Drummond Group 1.2p
Edinburgh Invest Trust 3⅝pcDb 1998 1⁷⁄₁₆pc
Erskine House 1.2p
Finance 11½pc 1991-93 5¾pc
General Funds Invest Trust 5pcPf 1.75p. 5½pcDb 1983-88 2¾pc
Govett Strategic Invest Trust 10¼pcDb 2016 4.43099pc
Howard and Wyndham 18pcLn 1976-91 9pc
Investment in Industry Fltg Rate Notes 1994 £145.72
Jarvis Porter 1.3p
Leigh Interests 1.4p
Ley's Foundries 6pcPf 2.1p
LASMO 9⅛pcPf 4.8125p
Lucas 10¼pcLn 1992-97 5⅛pc
M and G Dividend Fund 8.4p
MEPC 8.5p
Millward Brown 1.25p
Moran Tea 12.5p
Morgan (J. P.) Inc 68 cts. Idr 68 cts
Motorola 16 cts
Murray Intnl Trust 3.9pcPf 1.95p. 6pcDb 1983-88 3pc
Nationwide B'ldg Society Fltg Rate Notes 1996 £144.62
New Throgmorton Trust 1.25p
North Surrey Water 4pcDb 2pc. 4¼pcDb 2⅛pc. 5¼pcDb 2⅝pc. 7¼pcDb 1991-93 3⅝pc
Occidental Petroleum 62.5 cts
Pacific Gas and Elec 48 cts
Quebec Central Railway 2.5 cts
Robinson (Thomas) 7pcPf 3.5p
Safeway UK Hldgs 8.25pcLn 2011 £1.323
Sears 7¼pcLn 1992-97 3⅝pc
Sweden (Kingdom of) 11pcLn 2012 5½pc
TR Inds and Gen Trust 4¼pcDb 2⅛pc
Town and City Nederland 8pcLn 1988 4pc
Treasury 13pc 1990 6½pc
Treasury 9½pcLn 199 4¾pc
UK Land 4p
Wells Fargo Fltg Rate Notes 1997 $156.53
Witan Invest 3.4pcPf 1.7p
Zentralsparkasse und Kommerzialbank Wien Fltg Rate Notes 1991 $177.29

TOMORROW

COMPANY MEETINGS—
Bibby (J.). Institute of Directors, 116 Pall Mall, SW, 12.00
McLeod Russel, Connaught Rooms, Great Queen Street, WC, 12.00

BOARD MEETINGS—
Finals:
London and Clydeside
Newman Tonks
TV South
Wheway
Interims:
Shield
Sturge
Westpool Inv Tst

DIVIDEND & INTEREST PAYMENTS—
Imperial Cold Storage 1.58148p
MMT Computing 3.2p
Majedie Invests 8.45p
RBC Intnl Inc Pf 48.5 cts
Tiger Oats 16½ cts

WEDNESDAY JANUARY 14

COMPANY MEETINGS—
MEPC, Hyde Park Hotel, 66 Knightsbridge, SW, 12.00
Wellcome, Grosvenor House Hotel, Park Lane, W, 11.00

BOARD MEETINGS—
Finals:
M and G Dual Tst
Sthrn Business
TSB Channel Islands
Interims:
ASDA-MFI
Banks (Sidney C.)
Bespak
Dixons
Howden Grp
Parkfield
Stead and Simpson
Symonds Eng

DIVIDEND & INTEREST PAYMENTS—
Anglia Bldg Society Fltg Rate Notes 1998 £138.63
Bank of Nova Scotia Fltg Rate Dbs 1994 $354.68
Banque Nationale De Paris Fltg Rate Notes 1990-94 $3,577.77
Bibby (J.) 5.5p
Creditanstalt Bankverein Fltg Rate Notes 1994 $175.69
Funding 3½pc 1999-2004 1¾pc
Great Portland Estates 2.5p
Lasmo Eurofinance Fltg Rate Notes 1989 $182.08
MISR Finance (Cayman) Fltg Rate Notes 1988 $230.00
National Bank of Canada Fltg Rate Notes 1991 $175.89
Treasury 3pc 1987 1½pc
Treasury 12¼pcLn 1995 6⅛pc
Treasury 13pc 2000 6½pc

THURSDAY JANUARY 15

COMPANY MEETINGS—
BOC Group, Dorchester Hotel, Park Lane, W, 2.30
Bridport-Gundry, The Court, Bridport, Dorset, 12.00
Fenner (J. H.), Queens Hotel, City Square, Leeds, 12.30
Morland, The Brewery, Ock Street, Abingdon, 12.30
Royal Bank of Scotland, North British Hotel, Edinburgh, 12.00
Stainless Metalcraft, Chatteris Eng Works, Chatteris, Cambs, 12.00
Trafalgar House, Baltic Exchange, 14-20 St Mary Axe, EC, 11.30

BOARD MEETINGS—
Finals:
Acatos and Hutcheson
Oakwood
Raeburn Inv Tst
Trusthouse Forte
Interims:
Jones Stroud

FRIDAY JANUARY 16

COMPANY MEETINGS—
Carr's Milling Inds, Crest Hotel, Kingstown, Carlisle, 11.30
Dubilier, Churchill Hotel, Portman Square, W, 12.00
Polly Peck Intnl, Savoy Hotel, Strand, WC, 11.00
Radio Clyde, Clydebank Business Park, Clydebank, Glasgow, 10.00

BOARD MEETINGS—
Finals:
Bett Bros
Greenfriar Inv Tst
Jersey Elec
Interims:
Coston (F.)

DIVIDEND & INTEREST PAYMENTS—
Anglo-American Securities 4½pcPf 1.575p
Angiovaal 61.138397p. A 61.138397p. 5pcPf 32.138850p
Bellway 4.5p
Bridport-Gundry 4.6p
Cropper (James) 1.1p
Ensign Trust 6pcDb 1983-86 1.775342p
European Invest Bank 9pcLn 2011 £2.9168
Fine Art Devpts 1.5p
Fitzwilton 1p. 6½pcPf 2.1125p
Foster (John) 1p
French Connection 1.75p
Fuller Smith and Turner 1.8p
Futura Hldgs 2.5p
GEI Intl 1.94p
Gartmore American Securities 0.6p
Great Western Res 1.43p. Pf 1.05p
Hill Samuel Group Fltg Rate Notes 2016 $367.36
Holden Hydroman 0.975p
JS Pathology 1.5p
M and G Second Dual Trust 7.1p
Marks and Spencer 1.4p
Northern Ind Improvement Trust 12.75p
Rowlinson Securities 0.2p
Sainsbury (J.) 2.05p
Scapa Group 2.1p
Schlumberger 30 cts
Treasury 8½pcLn 2007 4¼pc
Unilock Hldgs 1p
VSEL Consortium 2p
Valor 1.528p
Viewplan 0.42p

SATURDAY JANUARY 17

DIVIDEND & INTEREST PAYMENTS—
First Union General Invest Trust 13.5 cts
Smith New Court 2p

PARLIAMENTARY BUSINESS

TODAY

Commons: Local Government Finance Bill (second reading).

Select committee: Treasury and Civil Service. Subject: winter supplementary estimates. Witnesses: Central Office of Information officials (room 8, 4.45 pm).

TOMORROW

Commons: Debate on the Army.

WEDNESDAY

Commons: Opposition economic debate on the divide between the north and south of the country. Industrial Training Levy (Construction Board) Order 1987, motion.

Select committees: Foreign Affairs. Subject: British cultural diplomacy. Witness: BBC External Services (room 8 10.30 am). Trade and Industry. Subject: motor components industry (room 15, 11 am). Environment committee. Subject: Property Services Agency. Witness: Mr Christopher Chope, Parliamentary Under-Secretary of State, Dept. of the Environment (room 20, 4.30 pm).

THURSDAY

Commons: Coal Industry Bil (remaining stages). City of London (Various Rights) Bill.

FRIDAY

Commons: Private members' business, including Free TV Licences for Pensioners Bill, (second reading); Obscene Publications Bill (second reading); and Police Complaints Authority (Information) Bill.

Trade fairs and exhibitions: UK

January 15-18
Antiques Fair (04447 2514) — Kensington Town Hall

January 18-22
International Light Show (05884 658) — Olympia

January 20-22
Office and Contract Interiors Exhibition — DESIGN (01-868 4499) — Design Centre

January 22-25
Ideal Home Exhibition (0202 296275) — Metro Exhibition Hall, Brighton

January 23-25
Holiday and Leisure Spectacular (01-583 9199) — Kensington Exhibition Centre

January 27-29
Hirex Exhibition (01-686 7788) — Wembley Conference Centre

January 31-February 4
British International Toy and Hobby Fair (01-701 7127) — Earls Court

February 1-5
International Spring Fair (Gift section 01-855 9201, Hardware section 0604 22023) — NEC, Birmingham

February 3-4
Entrepreneurs' Exhibition (01-493 0000) — Royal Garden Hotel, W8

Overseas

January 12-15
Middle East Electronics Communications Show and Conference—MECOM (01-486 1951) — Bahrain

January 13-18
International Furniture Fair (01-930 7251) — Cologne

January 14-20
International Oil and Gas Chemical and Process Engineering Industries Exhibition and Conference—CHEMTECH AND ORT (01-221 2043) — Bombay

January 15-18
Travel Exhibition (01-486 1951) — Helsinki

January 18-21
Hong Kong Fashion Week (01-930 7955) — Hong Kong

January 31-February 8
Caravan, Camping, Car, Boat, Garden and Tourism and Leisure Exhibition (01-651 2191) — Hanover

February 21-25
Spring Fair (01-734 0543) — Frankfurt

February 25-March 3
International Fairs: Food; Materials Handling and Warehousing; Packaging and Printing (021-455 9600) — Brno

Business and Management Conferences

January 19
International Business Communications: Long-term finance for commercial property development (01-236 4080) — London Press Centre, EC4

January 20
IBC Legal Studies and Services: The annual company report (01-236 4080) Portman Hotel, W1

January 21-22
IBC: Control accounting and taxation of bank risk (01-236 4080) — Café Royal, W1

January 22
The Strategic Planning Society: Strategic issues for the 1990s—new frontiers? (01-235 0246) — 6 John Adam Street, WC2

January 26-27
Brunel Management Programme: Managing stress at work (0895 56461) — Brunel University, Uxbridge

January 27
Longman Seminars: Relief from Capital Gains Tax (01-242 4111) — Barbican Centre, EC2

January 27
NEDO: Who benefits from corporate venturing? (01-211 3100) — Café Royal, W1

January 28-30
Insurance and Reinsurance Research Groups: Cargo insurance clauses international workshop (01-236 2175) — Tower Hotel, EC3

January 28
IBC Legal Studies and Services: Takeovers and acquisitions in the US—the key issues (09323 55244) — London Press Centre, EC4

January 28
CCH Editions; The practical implications of the Financial Services Act (01-491 1322) — Hyde Park Hotel, SW1

January 28-29
Euromoney Publications: The gilts market explosion (01-236 3288) — Hilton Hotel, W1

January 29-30
Financial Times Conferences: The Second FT Defence Conference—entering the American market (01-621 1355) — Hotel Inter-Continental, W1

January 30
Oracle Business Information: Basic accounting for life offices (01-727 3503) — CFS Conference Centre, W1

February 3-4
Crown Eagle Communications: Successful public relations (01-242 4111) — Holiday Inn, NW3

February 3-6
INSEAD: Foreign currency options workshop (with BancAmerica Options Inc) ((1)60.72.42.14) — Fontainebleau

February 5-6
VentureCorp: Leveraged buy-outs in Europe (01-482 5397) — The Dorchester Hotel, W1

February 10
Longman Seminars: Film and television production—evaluation and management of risk (01-242 4111) — Barbican Centre, EC2

February 17
Longman Seminars: Will drafting and inheritance tax (01-242 4111). — Barbican Centre, EC2

February 17
Information for Energy Group: Oil price information (01-636 1004). — 61 New Cavendish Street, W1

February 17-18
Crown Eagle Communications: UK Government contracting (01-242 4111) — Selfridge Hotel, W1

February 17-19
IRRG: The London insurance market—the way forward (01-236 2175) — The Royal Garden Hotel, W8

February 18-19
Financial Times Conferences: Cable television and satellite broadcasting (01-621 1355) — Hotel Inter-Continental, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Nat Credit Corp. Ltd	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat. Bk. of Kuwait	11
Allied Dunbar & Co.	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk.	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm.	11	First Nat. Fin. Corp.	11½	Trustee Savings Bank	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac Banking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambros Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

UK COMPANY NEWS

Nick Bunker looks at the dispute over Sun Life's restructuring and suggests....

Defeat may be more than an irritation

SELDOM in its 180-year history can Sun Life Assurance have suffered as awkward a snub as the one its biggest shareholder inflicted upon it last Wednesday.

Awkward is the word, rather than damaging, to describe the immediate impact of the blow delivered by TransAtlantic Insurance Holdings. Itself 49 per cent owned by Liberty Life, the South African life insurer led by Mr Donald Gordon, it holds 26 per cent of Sun Life.

At a sparsely-attended shareholders' meeting on Wednesday, TransAtlantic vetoed Sun Life's plan to copy many other big British insurers by restructuring around a new holding company, Sun Life Corporation.

Within hours, Sun Life's chairman Mr Peter Grant was publicly deriding TransAtlantic's objections. But, he added, the defeat of Sun Life's plan was no more than a minor irritation. The scheme had been "a convenience rather than a necessity," aimed at easing Sun Life's diversification broadly into financial services.

TransAtlantic seemed to share that view. "I can't see any reason why it should damage Sun Life at all," said Mr Mike Middlemas, TransAtlantic's managing director.

Such statements may be too complacent. Lack of a new holding company structure could significantly hamper Sun Life in the long term.

If so, TransAtlantic has won bargaining power that could give it some of the control over Sun Life's destiny that in the past it looked for in vain.

TransAtlantic, for instance, has never been offered a seat on Sun Life's board. Informal talks were held recently about a merger or a business partnership (to which TransAtlantic would have brought shareholders' funds boosted by a rights issue last year to more than £460m). But Sun Life insisted TransAtlantic dispose of its holding as a precondition of any deal.

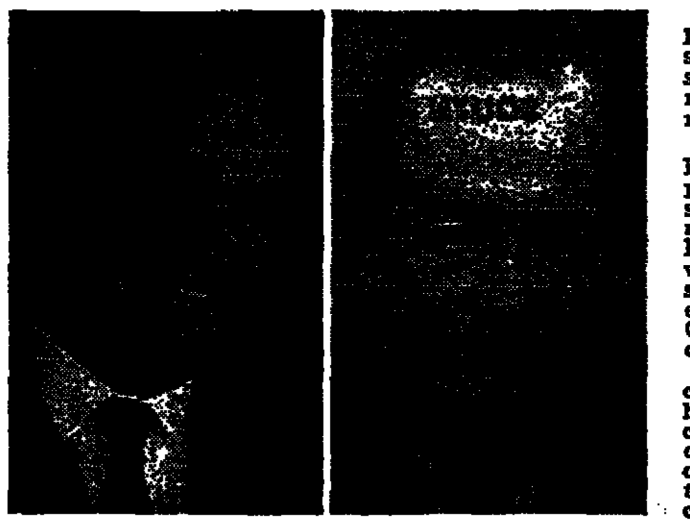
What makes a new structure so important for Sun Life — suggesting that it may need to reach an accommodation with TransAtlantic? Firstly, the timing of its restructuring proposal—announced on December 8—was significant.

Outsiders could reasonably see it as an attempted deck-clearing operation in advance of this year's regulatory reforms of the marketing of life assurance.

Those reforms, required under the Financial Services Act, will upset the life offices' old distribution patterns—at a time when they already face intensified competition from the life subsidiaries of outside institutions such as the TSB Group. Hence Sun Life's need to reorganise for maximum flexibility.

In essence, the structure Sun Life wanted was based around a holding company that was not itself a Government-authorised insurer. That would allow it to bypass British insurance company laws, which limits authorised insurers to operating in insurance-related fields. The holding company would also be free from the financial supervision imposed by the Department of Trade and Industry's insurance department.

So Pearl Assurance, for instance, completed this winter a restructing broadly similar to what Sun Life had planned. Observers saw it as largely a tidying-up operation, following a lead set by the Prudential Corporation in 1978 and by other big insurance companes since then. Sun Life's case was subtly different—but, arguably, more urgent.



Mr Donald Gordon (left), chairman of Liberty Life, and Mr Peter Grant, the Sun Life chairman

Pearl is a home service insurer, with 6,500 salesmen in the field. Sun Life's direct sales force is small (only 300 strong) and produces just 10 per cent of its business. Eighty per cent comes via independent intermediaries (down from 95 per cent in 1980).

In the past, those methods have worked: The group's new life business grew at nearly double the industry's average rate between 1981 and 1985. But will that always be true? The fall-out from the Financial Services Act is already expected to imperil many independent intermediaries (which may be unable to afford extra costs imposed by new regulations).

In turn, independent intermediaries will have to give so-called "best advice" to their clients. That could prevent them selling traditional life contracts written by shareholder-owned companies (like Sun Life) whose investment returns are generally inferior to those from a mutual life office.

Two ways to side-step these problems would be to buy new distribution networks, or to expand Sun Life's non-traditional financial services, like unit trusts or unit linked life assurance. Mr Grant hinted in December that estate agencies and a building society were both possible targets for acquisition.

Restructuring as Sun Life Corporation would have made this much easier. It would be able to spend on acquisitions without fear that the outlay would be scrutinised by DTI officials looking at the group's solvency as an insurer.

Second, it would have escaped any danger that expansion into new fields would have put it in breach of the 1982 Act. The DTI has been lenient in the past with big insurers' diversification plans; it might challenge a bolder step like a move into retail banking.

So what was TransAtlantic playing at? Mr Middlemas's sheaf of objections to the plan scarcely added up to a systematic critique of Sun Life's management skills.

TransAtlantic said it had first learned of the proposal through press reports. It singled out for special attack a stipulation that nobody could sit on the new holding company's board if he was a director of another insurer. Such a rule would have excluded Liberty Life's Mr Gordon, a Guardian Royal Exchange director.

But the core of TransAtlantic's case was that the plan would have meant a 10 per cent increase in Sun Life's authorised capital. That held the threat of diluting TransAtlantic's stake to below a strategic 25 per cent.

More intriguing, however, were the clues that emerged to TransAtlantic's grand strategy. Since Mr Middlemas took over as managing director in January 1985, he has already taken it to 68 per cent ownership of Capital and Counties, the property group, and control of Continental and Industrial, the investment trust.

Liberty Life's holding, it now turns out, has been brought down gradually from 75 per cent to just under 50 per cent in the last two years—presumably making TransAtlantic more politically acceptable as owner of a UK life insurer.

According to Mr Middlemas, TransAtlantic's strategic objective is to have "a core investment" in the British life industry—though the company concerned need not be Sun Life.

It was selected in 1980 and has been "a not unhappy investment," he said. "From time to time people approach us to consider selling the stake. So far we have chosen not to do anything."

Hawtin incurs loss in second half

SECOND-HALF losses of £276,000 left Hawtin, protective clothing manufacturer, with substantially reduced pre-tax profits of £356,000 for the year ended September 30, 1986, compared with an adjusted £1.25m.

Directors said the results in the second six months had been materially affected by factors in the manufacturing subsidiaries. The loss on Tricel yarn at Stewart-Singlam had proved more significant than originally expected, and replacement turnover would not make a material contribution until later in the year, they said.

The protective clothing and safety equipment division had not achieved its full potential through individual subsidiaries. That division was being reorganised, the directors stated, with the resulting costs written off as extraordinary items.

Also written off as part of the £340,000 extraordinary debit were the start up and promotion costs of the Gul wet suits subsidiary in the US. Two European manufacturers have taken over the Gul US dealerships which would ensure an increase in turnover.

Although earnings for the year fell from an adjusted 1.27p to 0.62p the dividend is maintained at 0.375p per share.

From lower turnover of £20.63m (£23.5m), gross profits were £4.33m (£4.75m) and operating profits down from £1.58m to £795,000.

F.T. Share Information

The following securities have been added to the Share Information Service.

Anheuser - Busch Companies (Section: Americans). BCE Holdings (Leisure). Cantors Ord (Drapery & Stores). Fletcher King (Property). Northumbrian Fine Foods (Foods). Yeoman Investment Trust Capital (Investment Trusts).

Yule Catto sees £10.7m profits

BY MARTIN DICKSON

Yule Catto, which is making a £17m hostile takeover bid for fellow chemicals group Barrow Hepburn, has estimated that its pre-tax profits rose to at least £10.7m in 1986, compared to £10.18m in 1985, while earnings per share would be not less than 30.7p, a 33 per cent increase.

The estimate came in a weekend document to Barrow shareholders which criticised the company's plans to buy Tor Coatings for £3.1m and asked: "Does Barrow Hepburn care about its shareholders?"

It pointed out that Barrow had not made a profits forecast when notifying shareholders about the Tor deal, other than reiterating that the results would be affected by a disappointing performance in the engineering division.

Shareholders, said Yule Catto, should be told the "hard facts" about 1986 to assess Tor against the Yule Catto offer.

The document claimed the financial implications of the Tor deal were disturbing, since Tor had made pre-tax profits of only £179,000 in the year to last May and Barrow was buying it at a price which "fully discounts the growth potential of the business." Barrow replied yesterday that before exceptional items Tor's profits had been £284,000.

Yule Catto said some 12 per cent of Barrow's enlarged equity was being issued to finance the deal but the owners of Tor could not vote the shares in the bid unless it was recommended. This, it argued, could only be in the interests of Barrow's management and not that of shareholders.

Yule Catto said that its own 1986 figures represented an average compound growth in earnings of 51 per cent per annum since 1980, the year in which it started diversifying away from plantations and into industrial chemicals.

Over 60 per cent of estimated 1986 attributable profits had been generated in the UK and less than 10 per cent from primary commodities.

The company had previously indicated that dividends for the year would total 8.5p, up 21.4 per cent.

Prospects for 1987 were said to be "highly encouraging"

Illingworth Morris stake

Mr Alan J. Lewis is transferring a 42.5 per cent stake in Illingworth Morris, the Bradford-based wool and textiles group, to a Netherlands Antilles company, Walbrook Investments, to establish a family trust.

The 42.5 per cent stake, comprising 17m shares, is currently held by four subsidiaries of Hartley Investment Trust, itself wholly-owned by Mr Lewis, chairman and chief executive of Illingworth Morris.

The transfer will be effected by the issue of debenture stock in Walbrook to the Hartley subsidiaries giving the Illingworth Morris shares a value of 110.5p each.

Walbrook is wholly-owned by Wickhams Cay Trust, registered in the British Virgin Islands, which is the trustee of the Alan J. Lewis Settlement, a trust set up by Mr Lewis.

For Eyes agrees £4m US takeover

BY CLAY HARRIS

For Eyes, the retail optician, has agreed to a £4.25m takeover by CooperVision, the US eyecare products group.

A pioneer in the more competitive UK market which followed deregulation in 1984, For Eyes also announced yesterday an audited pre-tax loss of £118,090 for the year to August 31, against a £328,769 profit in the previous 12 months. Turnover increased from £2.26m to £3.65m.

For Eyes has 22 shops in London and south-east England. Henlys Optical Group, CooperVision's UK subsidiary, operates 89 shops, mostly in north-west England.

CooperVision is offering 28p for For Eyes shares, the price at which Harvard Securities suspended OTC trading on December 22.

Mr Stephen Isaacs, the company's founder, and Mr David Garfen, another director, are to enter into new service agreements with For Eyes.

Improved margins lift Peter Black to £3.2m

In producing its first financial statement since it ended the Adidas contract, Peter Black Holdings said existing and new activities had almost made up the turnover shortfall and profits had increased through improved margins.

For the 26 weeks ended November 1 1986, turnover came to £48.6m, compared with £51.29m, and the pre-tax profit to £3.2m, against £3.08m.

The group manufactures and imports consumer products such as furniture, toiletries and cosmetics, footwear, lighting, and duvet covers and sheets. Its principal customer is Marks and Spencer.

Last May the group terminated its contract to distribute Adidas footwear and clothing, thereby releasing some £8m of working capital to finance its own manufacturing interests.

Earnings for the period were up to 5.2p (4.54p) after a lower tax charge of £1.12m (£1.21m). The interim dividend is 0.51p on capital increased by a scrip issue (0.47p) — for the year ended May 3 1986 dividend total was equal to 1.47p from a pre-tax profit of nearly £6.3m.

A. McAlpine US purchase

UK contractor Alfred McAlpine has bought the US construction company Blythe Industries, based in Charlotte, North Carolina, for an undisclosed sum.

McAlpine, which is expanding in the growth market of the US after withdrawing from South Africa — has already bought seven US companies, specialising in minerals, building materials and housebuilding.

Blythe now adds road and bridge construction, foundations, marine and drainage work and asphalt to its US activities.

Blythe was a privately owned family run civil engineering company, ranked number 361 in the US construction industry.

BOARD MEETINGS

TODAY

Interims: Ellis and Everard, Kenyon Securities, Ratners (Jewellers), F. H. Tompkins.

Finals: A. G. Barr, Fleming Claverhouse Investment Trust, London Scottish Finance, Robert H. Lowe.

FUTURE DATES

Interims:	
Cantors	Jan 20
Real Time Control	Jan 19
Smith (David S.)	Jan 19
Smith Whitworth	Jan 19
Finals:	
Barker (Charles)	Mar 18
Bett Brothers	Jan 16
FII Group	Jan 20
KLP	Jan 19
Raeburn Investment Trust	†Jan 15
Securiguard	Feb 2

† Amended.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Asda-MFI	Jan 14	Interim 1.25	Mercantile House	Jan 28	Interim 4.25
*Blue Arrow	Jan 26	Final 0.8	*Racal	Jan 27	Interim due
Davy Corpn.	Jan 16	Interim 1.1	*Ratners	Jan 12	Interim 0.75
*Dixons	Jan 14	Interim 2.31	Smith (W. H.)	Jan 28	Interim 2.0
*Dowty	Jan 21	Interim 2.3	*TSB	Jan 29	Final due
Gold Fields SA	Feb 4	Interim 55c	*Trusthouse Forte	Jan 15	Final 4.18
Fitch Lovell	Jan 23	Interim 3.5	Zetters	Jan 28	Interim 1.26
London Scottish Finance	Jan 13	Final 2.1			
Lonrho	Jan 30	Final 7.0			
Magnet and Southerns	Jan 15	Interim 2.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	Jan. 2	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.31	85.21	84.57	84.49	84.66	84.76	94.51	80.39	127.4	49.18
Fixed Interest	91.49	91.29	90.74	90.83	90.42	90.23	97.68	86.55	150.4	50.53
Ordinary	1386.4	1372.5	1353.0	1334.3	1322.8	1320.2	1425.9	1094.3	1425.9	49.4
Gold Mines	324.9	319.6	316.3	315.6	308.9	304.1	357.8	185.7	734.7	43.5
FT-Act All Share	873.53	863.56	856.67	842.58	837.72	836.29	873.53	664.42	873.53	61.92
FT-SE 100	1752.3	1733.1	1722.2	1690.7	1680.0	1681.1	1752.3	1370.1	1752.3	986.9

DÉCEMBRE 1986

SAINT-GOBAIN

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Crédit Commercial de France	**Kleinwort Benson Limited**
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Banque Indosuez	**Caisse des Dépôts et Consignations**
Crédit Industriel et Commercial de Paris	**Banque Paribas**
Caisse Nationale de Crédit Agricole	**Caisse Centrale des Banques Populaires**
Morgan et Cie SA	**Banque Worms**
Banque Fédérative du Crédit Mutuel	Compagnie Financière
Crédit du Nord	Banque Rothschild et Associés
Banque de Neuflize, Schlumberger, Mallet	Banque Demachy et Associés
Banque Stern	Banque Générale du Phenix
Banque pour l'Industrie Française	Pallas
Banque Industrielle et Mobilière Privée	Union de Garantie et de Placements
Européenne de Banque	Ofivalmo
Sofinamm	Investimo
Compagnie Interprofessionnelle de Placements Financiers	Axa Banque
Financière Cardif	Société Centrale d'Etude et de Réalisation de Placements - SCERP

Conseillers de la République : Crédit Commercial de France et Kleinwort Benson Limited

Placement International de 5 040 000 actions

Lazard Frères et Cie | **Banque Nationale de Paris**

Credit Suisse First Boston Limited *(Suisse)* | **Deutsche Bank Capital Markets Limited** *(République Fédérale d'Allemagne)* | **Crédit Commercial de France** | **Kleinwort Benson Limited** *(Royaume Uni)*

Suisse

Swiss Bank Corporation International Limited | **Union Bank of Switzerland (Securities) Limited**

Julius Baer International Limited | Banca della Svizzera Italiana | Bank Heusser & Cie AG
Bank in Liechtenstein AG | Bank J. Vontobel & Co. Ltd. | Banque Financière de la Cité
Banque Privée Edmond de Rothschild SA | Banque Scandinave en Suisse
Compagnie de Banque et d'Investissements - CBI | Darier & Cie
HandelsBank N.W. (Overseas) Limited | Hentsch & Co. | Leu Securities Limited
Lombard Odier International Underwriters S.A. | Pictet Intl. Ltd.
Sarasin International Securities Limited | Société Bancaire Julius Baer SA
Swiss Cantonalbanks | Swiss Volksbank | Unigestion S.A.

République Fédérale d'Allemagne

Bayerische Vereinsbank *Aktiengesellschaft* | **Commerzbank** *Aktiengesellschaft* | **Dresdner Bank** *Aktiengesellschaft* | **Westdeutsche Landesbank Girozentrale**

Baden-Württembergische Bank AG | Bayerische Hypotheken- und Wechsel-Bank *Aktiengesellschaft*
Bayerische Landesbank Girozentrale | Berliner Handels- und Frankfurter Bank
DG BANK *Deutsche Genossenschaftsbank* | Merck, Finck & Co. | B. Metzler Seel. Sohn & Co.
Sal. Oppenheim Jr. & Cie. | Trinkaus & Burkhardt KGaA | Vereins-und Westbank AG

Royaume Uni

Cazenove & Co. | **Lazard Brothers & Co., Limited** | **Morgan Grenfell & Co. Limited**

Autres Pays

Banque Indosuez | **Algemene Bank Nederland N.V.** | **Daiwa Europe Limited** | **Enskilda Securities** *Skandinaviska Enskilda Limited*
Generale Bank | **Goldman Sachs International Corp.** | **Merrill Lynch Capital Markets** | **Wood Gundy Inc.**
Creditanstalt-Bankverein | Banque Bruxelles Lambert S.A. | Banque Paribas Capital Markets Limited
Kredietbank International Group | EBC Amro Bank Limited | Banca Commerciale Italiana
Credito Italiano | Morgan Guaranty Ltd. | Salomon Brothers International Limited
Shearson Lehman Brothers International

Conseillers de la Compagnie : Banque Nationale de Paris et Lazard Frères et Cie

Ces actions ayant été intégralement souscrites, cet avis n'apparait qu'à titre d'information seulement.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
22Jul	22Jan	Exch. 13¾pc 1987	100	16.12	—	—
10 Aug	10 Feb	Treas 10½pcCv '87	99⅞xd	5.1	10.25	10.83
24Aug	24Feb	Exch 2½pc 1987	99⅛	18.7	2.52	9.19
6Oct	6Apr	Exch. 10½pc 1987	99[illegible]	1.9	10.52	11.05
1 Nov	1 May	Funding 6½pc 85-87	99[illegible]	25.9	6.55	9.27
12Dec	12Jun	Treas. 10pc 1987	99[illegible]	18.12	10.03	10.65
14Jan	14July	Treas 3pc 1987	97¾xd	8.12	3.07	7.95
3May	3Nov	Treas. 12pc 1987	101	29.9	11.88	10.59
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	97½xd	22.12	7.92	10.04
10Nov	10May	Exch 10½pc '88	99[illegible]	6.10	10.51	10.54
14Dec	14Jun	Treas 9¾pc Cv '88	96[illegible]	18.12	9.85	10.56
1Jan	1Jul	Transport 3pc '78-88	93[illegible]	25.11	3.21	7.78
25 Apr	25 Oct	Treas. 9½pc '88	98[illegible]	18.9	9.67	10.58
22 Aug	22 Feb	Treas 11½pc 1989	101[illegible]	16.7	11.33	10.64
18 Oct	18 Apr	Treas 9½pc Cnv 1989	97[illegible]	11.9	9.71	10.57
15Nov	15May	Treas 3pc 1989	89[illegible]	9.10	3.35	8.00
14Dec	14Jun	Treas 10½pc 1989	99¼	18.12	10.53	10.61
1Feb	1Aug	Exch.10pc 1989	98[illegible]xd	29.12	10.13	10.61
29 Mar	29 Sep	Exch 11pc 1989	100¾	26.8	10.91	10.61
15 Apr	15 Oct	Treas 5pc 1986-89	89[illegible]	8.9	5.56	9.23
15 May	15 Nov	Exch 10¼pcCv '89	101[illegible]	9.10	10.14	9.77
15 Jul	15 Jan	Treas 13pc 1990‡‡	106[illegible]xd	9.12	12.26	10.62
12 Aug	12 Feb	Exch 11pc 1990‡‡	101[illegible]xd	6.1	10.89	10.63
22 Sep	22 Mar	Exch. 12½pc 1990	105[illegible]	18.8	11.90	10.60
8 Nov	8 May	Treas. 3pc 1990	84¾	2.10	3.54	8.39
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	94[illegible]	18.12	8.75	10.26
25 Apr	25 Oct	Treas. 10pcCv 1990	98[illegible]	18.9	10.20	10.63
22 May	22 Nov	Exch 2½pc 1990	81⅝	16.10	3.06	8.12
10 July	10 Jan	Treas 11¾pc 1991	105[illegible]xd	4.12	11.33	10.60
5Oct	5Apr	Funding 5¾pc '87-91‡‡	87¾	1.9	6.56	9.34
13 Nov	13 May	Treas. 3pc 1991●	80¾	—	3.71	8.37
12Jan	12July	Treas 10pc Cv '91	100¾xd	8.12	9.92	9.79
25Apr	25Oct	Exch. 11pc 1991	102[illegible]	18.9	10.78	10.44

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
	May	Metsec 10p	78	13.10	12.4%	2.6	4.4	12.0
Jan	May	Mitchell Cotts	67½	10.3	1.5	2.1	3.1	17.4
August		Monks & Crane 10p	289	22.12	12.7	2.9	3.5	13.3
Jan.	July	Morgan Crucible	321	20.11	18.5	1.5	3.7	21.3
	May	Morris (W) F.A. 20p	27	—	—	—	—	—
	July	Mytton Grp 10p	152	29.9	12.63	2.6	2.4	19.6
Nov	June	NMW Computers	203	13.10	16.0	3.0	4.0	12.3
Mar.	Sept.	Nash Inds.	120	11.8	1.5	♦	1.7	♦
—		Neil & Spencer 10p	17	3.81	—	—	—	—
Jan	July	Newman Inds 10p	56	15.9	10.8	1.5	3.1	27.9
Apr	Sep	Noble & Lund 10p	92	29.9	0.7	4.3	1.1	30.0
April	Dec	Nolton	47	24.11	1.2	2.9	3.6	13.5
—		Norank Systems 5p	128	15.9	1.5	—	1.7	16.4
Jan.	Aug.	Norcros	266	22.12	19.3	2.3	4.9	12.2
Oct.	April	Nu-Swift 5p	227	27.10	13.5	2.1	2.3	29.2
May	Nov	OCE 9pc Cnv 1987-92	£312½	27.10	Q9%	—	12.9	—
Feb.	Aug.	Oakwood Grp.	95	27.3	5.0	1.3		12.9
Dec	July	Office & Elect.	174	27.10	8.5	2.9	6.9	7.1
—		Omnitech 1p	30	—	—	—	—	—
—		Optometrics $0.01	28	—	—	—	—	—
May	Nov	Oriflame £1	890	29.9	Q8.9	2.1	4.8	16.3
Jan.	June	Ovenstone 12½c	58	12.5	Q83.2c	1.9	20.0	2.6
December		PCT Grp 10p	125	15.9	4.2	—	5.3	—
April		PLM 'B' Sk 25	£33½	3.4	Q23.2%	0.3	3.3	—
	June	Pacer Systems $0.01	165	25.4		4.3	1.6	74.5

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 22
(International Edition Page 32)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

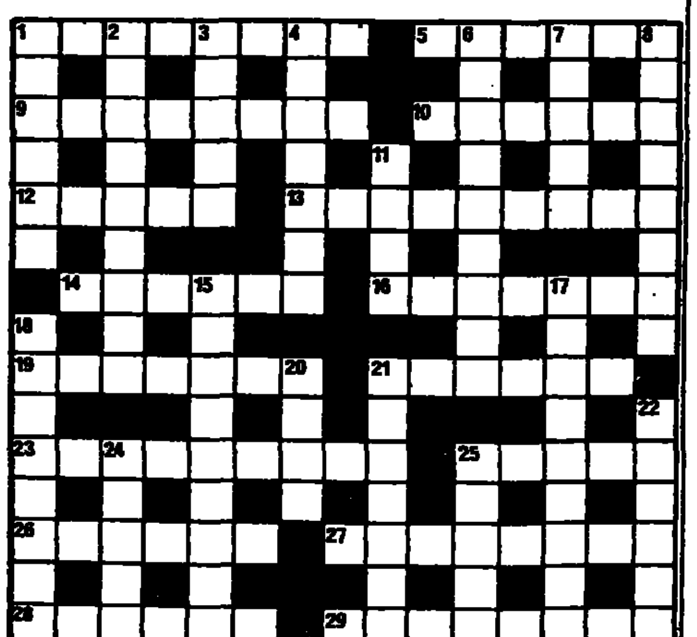
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE NO 6,224

TANTALUS



ACROSS

1 Sweetheart and soldier meet at dance (8)
5 Price paid with hesitation to fruit seller (6)
9 Radio recipient (8)
10 Note to beloved eases the tension (6)
12 Walk stiffly on road with signs of wear (5)
13 Tourist having sense to look for ruins first (9)
14 Small seal or bird sound (6)
16 Doubt unit of weight (7)
19 A number bore endlessly to find climber (7)
21 Talisman found in grandma's cottage (6)
23 Fresh air cannot produce a flower (9)
25 Land by the sea with difficult horse (5)
26 Wrongly implied no oriental is clear (6)
27 Application for 10 (8)
28 Clap American boy for becoming firmly etablished (6)
29 Given this, don't stir yourself! (8)

DOWN

2 Agree no-one comes back for instrument (9)
3 Throw out injured civet (5)
4 The secret's out of an iron basket (7)
6 New voter sure to make proposals (9)
7 Worn out initially through racing in the event (5)
8 About before Luther for example (8)
11 Pay packets not opened for some time (4)
15 Sailor hurried back—I've got a story (9)
17 In favour of western advocate (9)
18 Punctilious type to adhere to the French King (8)
20 House god accepts one retreat (4)
21 End of term conclusion appears to be making good (7)
22 Dog a spy (6)
24 City has nothing for one in love (5)
25 It may be nightwork wear (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUST & INSURANCES

Canada Life Group
2-6 High St, Potters Bar, Herts — P. Bar 51122

Equity Gth Sept 29	1.508		—	—
Retirement	3.361		—	—
Individual Pension—Distribution				
Managed Pen Fund	199.7	209.2	—	4.9
Property Pen Fund	132.5	139.5	—	—
Index-linked Pen Fd	125.8	132.5	—	—
Series E Pension—Accumulation				
International Pen Fd	190.0	200.0	—	—
Managed Pen Fd	144.2	127.3	—	—
Property Pen Fd	126.6	133.3	—	—
Index-linked Pen Fd	122.4	128.9	—	—
Gilt & Fxd Int Pen Fd	143.8	151.4	—	—
Equity Pen Fd	166.9	174.9	—	—
Managed Funds				
Managed	179.4	188.8	+0.1	—
Property	128.3	135.1	—	—
Gilt & Fxd Interest	135.1	142.2	+0.8	—
Index-linked	110.2	116.0	—	—
Equity	197.9	208.4	+0.1	2.2
Cash	138.7	146.1	—	—
Midland Bank Unit Tst	194.1	204.4	+0.3	—
Midland Bk Managed	194.1	204.4	+0.3	—
Midland Bk Income	226.6	238.6	+0.7	—

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation				
Equity	349.3	368.5	+4.3	—
High Income	296.0	313.2	+3.3	—
Property	216.7	228.3	—	—
Managed	252.3	267.0	+1.2	—
Deposit	176.0	185.3	—	—
Gilt	178.1	188.5	+0.7	—
American	251.3	265.4	+0.9	—
International Money	197.3	208.0	—	—
Index	108.4	114.9	+1.3	—
Far East	209.6	221.8	−3.5	—
Global	103.8	109.8	+0.8	—
European	109.6	116.0	—	—
Japan	179.7	190.3	−1.1	—
Residential Property	96.6	102.3	—	—
2nd Series Pension Accumulation				
Equity	445.0	476.7	+7.5	—
High Income	353.1	372.5	+4.5	—
Property	304.1	321.8	—	—
Managed	343.8	365.0	+1.7	—
Deposit	261.3	276.5	—	—
Gilt	252.4	267.1	+1.5	—

Crusader Insurance Plc
Reigate, Surrey RH2 8BL — 07372 42424

Managed Performance	103.2	108.7	+0.7	—
Performance Plus	104.2	109.7	+0.5	—
With Profit Perform.	97.1	102.2	—	—
UK Opportunity	102.9	108.4	+1.4	—
European Opportunity	111.4	117.3	−0.2	—
Nth American Opp.	100.7	106.1	+2.0	—
Far Eastern Opp.	103.3	108.8	−0.8	—
Guth Prp Ser 1 Jan 7	143.8	151.8	—	—
Guth Prp Ser 2	97.8	102.9	—	—
Fixed Interest	97.6	103.1	+0.3	—
Cash	97.2	102.3	—	—
Managed Pens Over 10	283.63	298.56	—	—

Devonshire Life
29 Gloucester St, WC1R 5HG — 01-434 3511

Managed	124.6	130.8	+0.8	—
World Growth	99.0	104.3	+0.2	—
UK Equity	118.6	124.8	+1.1	—
UK Small Companies	174.5	130.4	+0.2	—
European	108.5	109.2	−0.7	—
Far Eastern	159.1	167.4	−0.9	—
Nth American	95.7	100.8	+0.4	—
Fixed Interest	105.9	111.1	+1.1	—
Index Linked Gilts	99.7	105.0	+0.5	—
Money	100.2	105.4	—	—
Pen Managed	128.5	135.3	+0.1	—
Pen World Growth	100.0	105.4	+0.4	—
Pen UK Equity	136.0	143.2	+1.6	—
Pen UK Small Cos	124.8	131.5	+0.1	—
Pen European	101.9	107.3	−0.6	—
Pen Far Eastern	207.6	218.5	+0.6	—
Pen Nth American	93.2	98.2	+0.6	—
Pen Fixed Interest	108.5	114.3	+1.2	—
Pen Index Lnkd Gts	97.9	103.1	+0.3	—
Pen Money	104.3	109.8	—	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ — 0242 521311

Secure Fund	104.0	109.5	—	—
Blue Chip Fund	128.7	135.5	+0.3	—
Performance Fund	135.5	142.1	+0.2	—
Adventurous Fund	149.6	157.5	+0.6	—
Pensions Secure	95.1	100.2	—	—
Pensions Blue Chip	98.2	103.4	+0.3	—
Pensions Performance	98.1	103.3	+0.2	—
Pensions Adventurous	98.1	103.2	+0.4	—
Pensions With Profits	97.3	102.4	+0.1	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	149.9	157.8	+1.0	—
Property Fund	117.9	124.2		—
Fixed Int Fund	128.4	135.2	+0.8	—
Money Fund	119.0	125.3		—
Equity Fund	196.8	207.2	+1.9	—
TSB Pensions Ltd.				
Managed Pension	414.6	436.5	+2.4	—
Deposit Pension	115.4	121.6	+0.1	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	407.5	429.0	+2.6	—
Property	261.2	275.0		—
Fixed Int.	157.3	165.6	−0.1	—
UK Equity	474.8	499.8	+3.0	—
Int. Equity	332.8	350.4	−1.0	—
Deposit	157.4	165.7		—
Managed Property	211.6	222.8	+1.6	—
American Eagle	115.0	121.1	−0.1	—
Technology	94.4	99.4	+1.1	—
Worldwide Income	175.5	184.8	+0.4	—
Pacific	177.8	187.2	+0.6	—
Australian	92.9	97.8	+0.9	—
Japan	279.8	294.6	−2.5	—
Commodity	106.1	111.7	−0.8	—
Gold	131.4	138.4	+0.4	—
Financial	202.5	213.2	+2.9	—
Income	234.6	247.0	+1.4	—
Special Situations	213.4	224.7	+3.4	—
Preference	135.6	142.8		—
Managed Currency	95.1	100.2	−0.1	—
European Spec. Sits.	193.8	204.0	−2.6	—
Sterling	10.3			—
Residential Property	98.0	103.2		—
Pension Funds				
Managed Pension	1202.1	1265.4	+4.0	—
Gilt Pens.	349.6	368.0	+2.1	—
Property Pens.	620.9	653.6	+4.7	—
Equity Pens.	582.8	619.5	+3.3	—
Index-L Pen	123.8	130.4	−0.2	—
Guar. Pen.	258.4	272.0	+0.1	—
Leicester Retirement	136.5	143.7		—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090
Porchester Managed Funds

Albany	116.7	122.8	+0.7	—
Cornhill	104.0	109.5		—
Irish Life	109.0	114.8		—
Royal Heritage	99.9	105.2		—
Schroder	97.0	102.1		—
Scandia	117.4	123.5	+0.7	—
Target	119.4	125.7	+0.1	—
Trident	112.9	119.0	+0.7	—
Porchester Managed Pension Funds				
Albany	126.9	133.6	+1.0	—
Schroder	98.6	103.7		—
Scandia	122.4	128.8	+0.6	—
Target	110.1	115.9	+0.1	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med.	113.4	119.4	+0.6	—
Pens. Man-Schroder	463.6	488.0	+0.5	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	99.9	104.6	+0.4	—
Guardian Royal Exch.	97.1	102.3	+0.5	—
M&G Ass (Life)	111.1	116.8	−0.3	—
M & G Ass (Pens)	127.2	133.6	−0.4	—
Norwich Union Asst Mgr.	53.3	56.2	−0.1	—
Royal Life (Unit.Link.Ass)	100.4	105.6		—
Scot Equitable (Life)	146.6	154.3		—
Scott Equitable (Pens)	99.9	105.2		—
Scot Mutual (Life)	151.6	159.5		—
Scot. Mutual (Pens)	137.8	145.1		—
Vanbrugh Life Ass.	118.2	124.5	+0.2	—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	183.4	193.1	+0.1	—
Target Mngd Pension	121.8	128.3	+0.2	—
Albany Mngd Bond	164.3	172.9		—
Albany Mngd Pension	208.2	219.1		—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium assurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	27
Amstrad	15
BAT	35
BOC Grp	28
BSR	11
BTR	26
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Barclays	42
Beecham	40
Blue Circle	55
Boots	22
Bowaters	32
Brit Aerospace	42
Brit. Telecom	17
Burton Ord	26
Cadburys	17
Charter Cons.	24
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	15
Glaxo	85
Grand Met	40
GUS 'A'	85
Guardian	75
GKN	24
Hanson Tst	18
Hawker Sidd.	42
ICI	75
Jaguar	42
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Legal & Gen	20
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Lloyds Bank	38
Lucas Inds.	46
Marks & Spencer	18
Midland Bk	48
Morgan Grenfell	26
NEI	8
Nat West Bk.	48
P & O Dfd	45
Plessey	16
Polly Peck	16
Racal Elect	15
RHM	24
Rank Org Ord.	45
Reed Intnl	25
STC	13
Sears	12
TI	40
TSB	8
Tesco	36
Thorn EMI	42
Trust Houses	15
Turner Newall	38
Unilever	140
Vickers	36
Wellcome	17
Property	
Brit Land	16
Land Securities	30
MEPC	32
Peachey	24
Oils	
BOM	3½
Brit Petroleum	50
Burmah Oil	32
Charterhall	4
Premier	3½
Shell	65
Tricentrol	8
Ultramar	17
Mines	
Cons Gold	62
Lonrho	22
Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

AUSTRIA

1986-87 High	Low	Jan. 9	Price Sch
2,650	2,110	Credit'anst'lt pp	2,110
5,850	3,075	Goesser	3,090
16,000	13,700	Interunfall	13,000
21,750	11,000	Jungbunzlauer	11,400
2,475	1,950	Laenderbank	2,110
795	560	Perlmooser	612
211	150	Steyr Daimler	160
12,500	6,850	Veitscher Mag	11,085

BELGIUM/LUXEMBOURG

1986-87 High	Low	Jan. 9	Price Frs.
3,500	2,290	B.B.L.	3,100
16,550	9,500	Banq. Gen. Lux	16,000
17,000	9,400	Banq. Int.A.Lux	15,050
14,500	8,250	Bekaert	10,625
4,660	2,640	Ciment CBR	3,990
195	120	Cockerill	132
3,240	1,652	Delhaize	2,750
5,110	3,580	EBES	4,850
17,350	10,425	Electrobel	14,925
2,700	1,810	Fabrique Nat	1,905
9,370	3,580	GB Inno BM	9,160
4,525	2,695	GBL (Brux)	3,595
6,800	4,310	Generale Bank	6,130
6,850	4,750	Gevaert	6,000
8,150	5,700	Hoboken	7,800
3,995	2,880	Intercom	3,800
4,450	3,430	Kredietbank	4,010
11,650	9,800	Pan Holding	10,650
9,980	6,050	Petrofina	9,460
29,488	17,200	Royale Belge	29,401
3,500	2,130	Soc. Gen. Belge	3,355
13,400	7,710	Sofina	11,550
9,000	6,050	Solvay	8,420
585	185	Stanwick Intl	230
6,770	4,675	Tractionel	6,340
9,900	5,300	UCB	9,620
6,200	3,705	Wagons Lits	5,360

DENMARK

1986/87 High	Low	Jan. 9	Price Kor. %
800	510	Baltica Skand	795

FRANCE

1986/7 High	Low	Jan. 9	Price Frs.
1,811	1,475	Emprunt 4½% 1973	1,620
9,550	7,190	Emprunt 7% 1973	8,670
593	398	Accor	494
845	608	Air Liquide	689
752	508	BIC	752
2,700	1,610	Bongrain	2,450
1,467	909	Bouygues	1,255
4,750	2,730	BSN Gervais	4,525
2,558	1,368	CIT Alcatel	2,398
3,780	2,212	Carrefour	3,640
728	458	Club Mediter'n	701
1,386	872	Cie Bancaire	1,149
488	347.5	Cofimeg	401
2,585	1,721	Damart	2,360
500	215	Darty	483
2,052	1,050	Dumez S.A.	1,978
1,686	877	Eaux (Cie Gen)	1,505
375	196	Elf-Aquitaine	327
3,800	2,000	Essilor	3,740
1,109	714	Gen. Occidentale	1,097
115.5	51.1	Imetal	88
1,613	745	Lafarge Coppee	1,575
4,030	2,806	L'Oreal	3,812
5,470	2,640	Legrand	5,390
350	158	Maisons Phenix	180
2,775	1,480	Matra S.A.	2,370
3,566	1,725	Michelin B	2,700
6,890	1,438	Midi (Cie)	1,620
2,680	1,735	Moet Hennessy	2,321
116	54.7	Moulinex	95
241	155.1	Nord Est	205.8
1,265	807	Pernod Ricard	1,026
846	481	Perrier	805
479.2	296	Petroles Fra	430
1,351	512	Peugeot S.A.	1,310
738	417	Printemps (Au)	550
1,099	421	Radiotech	1,074
2,659	1,205	Redoute	2,656
1,799	1,105	Roussel-Uclaf	1,585
587	390	Sefimeg	490
1,490	1,100	Skis Rossignol	1,360
3,856	2,640	Telemec Elect	3,235
1,764	822	Thomson (CSF)	1,549
643	348	Valeo	518

NORWAY

GERMANY

NETHERLANDS

FINLAND

HONG KONG

High	Low		Price H.K.$
45.75	24	Hutchison Wpa	45
44.50	25.08	Ind. Equity Pac	26.5
23.6	11	Jardine Math	22.1
10.1	5.05	New World Dev	9.85
21.2	10.6	SHK Props	16.7
1.13	0.62	Shell Elect	0.88
20.3	9.9	Swire Pac A	19.3
11.5	5	TV—B	11.5
9.8	5.15	Winsor Inds	9.0
3.85	2.07	World Int. Hldgs	3.77

AUSTRALIA

SOUTH AFRICA

SPAIN

High	Low		Price
470	207	Bco Exterior	390
510	207	Bco Hispano	435
1,600	439	Bco Popular	1,600
981	420	Bco Santander	981
1,710	595	Bco Vizcaya	1,700
850	413	Banesto	850
475	155	Dragados	474.5
142	82.5	Hidrola	110.5
201	101.5	Iberduero	164.7
458	172	Petroleos	399
228.5	126.5	Telephonica	176.7

SWEDEN

SINGAPORE

SWITZERLAND

1986/7 High	Low	Jan. 9	Price Frs.
900	520	Schindler (PtCts)	670
1,980	1,300	Sika	1,785
9,000	5,900	Surveillance A	8,550
2,220	1,140	Swissair	1,285
525.5	490	Swiss Bank	562
19,700	15,200	Swiss Reince	19,100
2,788	2,340	Swiss Volksbk	2,680
6,120	4,850	Union Bank	6,070
7,800	4,680	Winterthur	7,275
8,850	6,750	Zurich Ins	8,600

JAPAN

ITALY

1986/7 High	Low	Jan. 9	Price Lire
6,885	4,499	Saipem	4,580
7,650	4,565	Snia BPD	4,820
64,500	24,250	Toro Assic	32,280

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Closing prices January 9

MONTREAL

Closing prices January 9

F—No voting rights or restricted voting rights.

OVER-THE-COUNTER

Nasdaq national market, Closing prices, January 9

Continued from Page 31

Indices

NEW YORK

DOW JONES	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	1986/87 High	1986/87 Low	Since Comp High	Since Comp Low
●Industrials	2005.91	2002.25	1993.95	1974.83	1971.32	2005.91 (9/1/87)	1502.29 22/1/86	2005.91 (9/1/87)	41.22 2/7/32
H'me Bnds.	94.52	94.67	94.49	94.18	93.94	94.67 (8/1/87)	83.73 14/1/86	—	—
Transport	853.92	843.27	842.42	841.93	840.72	868.74 (4/12)	686.97 (3/1/86)	868.74 4/12/86	12.32 8/7/32
Utilities	218.97	218.16	216.37	213.78	213.67	219.15 (20/8)	169.47 (22/1)	219.15 20/8/86	10.5 8/4/32

●Day's High 2021.65 (2014.20) Low 1988.61 (1975.96)

STANDARD AND POOR'S	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	1986/87 High	1986/87 Low	Since Comp High	Since Comp Low
Composite ‡	258.73	257.28	255.33	252.78	252.19	258.73 (9/1/87)	203.49 22/1/86	258.73 9/1/87	4.40 1/6/32
Industrials	288.57	286.79	284.74	281.59	280.95	288.57 (9/1/87)	224.49 22/1/86	288.57 9/1/87	3.62 21/6/32
Financials	29.29	29.20	28.74	28.46	28.28	31.15 (14/5)	25.16 22/1/86	31.15 14/5/86	8.64 1/10/74
N.Y.S.E. COMPOSITE	148.39	147.55	146.43	144.81	144.39	148.59 (9/1/87)	117.75 22/1/86	148.59 (9/1/87)	4.46 28/4/42
AMEX. MKT VALUE	283.79	281.65	278.86	273.48	272.07	285.19 (28/8)	240.30 (4/2)	285.19 28/8/86	29.13 9/12/74
NASDAQ OTC COMP.	380.65	377.54	374.48	366.02	361.19	411.18 (3/7)	323.01 (9/1/86)	411.18 3/7/86	54.87 8/10/74

DIVIDEND YIELDS	Jan. 2	Dec. 26	Dec. 19	Dec. 12	year ago (approx)
Dow Industrial	3.48	3.59	3.59	3.61	4.11
	Dec. 31	Dec. 24	Dec. 17	Dec. 10	
S and P Industrial	3.05	3.00	2.99	2.94	3.38
S and P ind P/E ratio	17.39	17.71	17.74	17.89	14.88

TRADING ACTIVITY Millions Volume †	Jan. 9	Jan. 8	Jan. 7
New York	193.67	194.52	190.87
Amex	14.63	14.60	16.71
O.T.C.	(u)	167.91	154.45

New York	Jan. 9	Jan. 8	Jan. 7
Issues Traded	2,000	2,011	2,022
Rises	1,041	1,165	1,215
Falls	577	497	443
Unchanged	382	349	364
New Highs	187	146	110
New Lows	9	4	4

CANADA

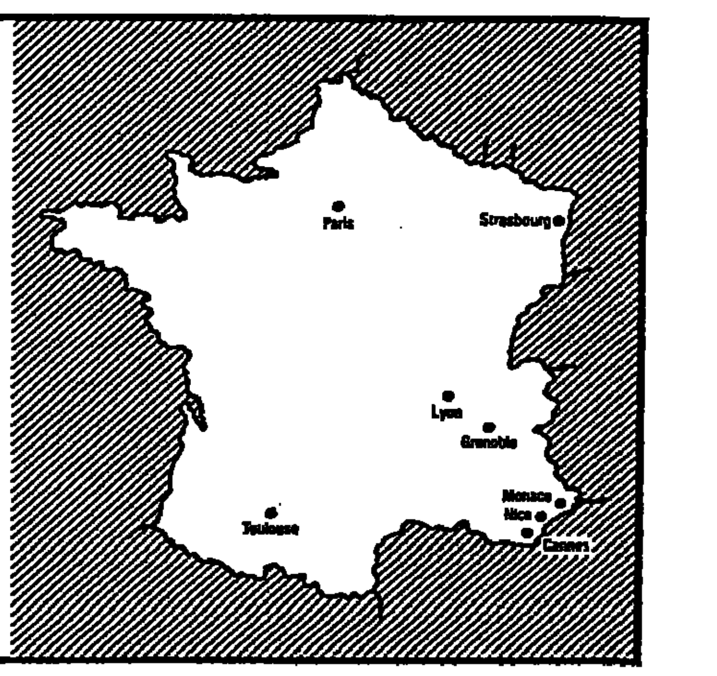
TORONTO	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	1986/87 High	1986/87 Low
Metals & Minerals	2103.68	2070.5	2061.7	2058.3	2049.3	2442.2 (2/5)	1817.4 (8/8)
Composite	3208.7	3178.5	3155.0	3123.5	3097.7	3208.7 (9/1/87)	2784.8 (17/2)
MONTREAL Portfolio	1613.66	1596.9	1584.9	1567.9	1552.8	1623.3 (18/4)	1266.6 22/1/86

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	1986/87 High	1986/87 Low
AUSTRALIA All Ord. (1/1/80)	1585.8	1529.9	1554.1	1523.1	1535.8 (9/1/87)	1010.8 (2/1/86)
Metals & Mnls. (1/1/80)	757.5	751.3	754.3	747.1	757.5 (9/1/87)	481.1 (20/1)
AUSTRIA Creditbk Aktien (30/12/84)	224.1	227.57	227.88	(c)	258.64 (25/4)	220.58 (5/5)
BELGIUM Brussels SE (1/1/84)	3997.2	3987.42	4006.40	4017.57	4131.89 (9/12)	2766.81 (15/1)
DENMARK Copenhagen SE (3/1/83)	186.89	185.65	182.53	180.64	250.79 (18/4)	188.28 (11/11)
FINLAND Unitas Genl. (1975)	449.2	457.9	454.5	450.5	449.2 (9/1/87)	259.3 (2/1/86)
FRANCE CAC General (31/12/82)	407.2	407.9	405.5	404.5	414.5 (15/12)	267.9 (2/1/86)
Ind Tendance (31/12/86)	102.7	103.8	102.6	102.4	105.0 (8/1/87)	97.5 (2/1/87)
GERMANY FAZ Aktien (31/12/58)	654.32	656.84	660.88	676.94	758.86 (17/4)	583.32 (22/7)
Commerzbank (1/12/53)	1914.5	1967.5	2020.9	2048.3	2276.8 (17/4)	1762.4 (22/7)
HONG KONG Hang Seng Bank (31/7/64)	2581.7	2585.33	2607.11	2565.87	2607.11 (7/1/87)	1559.94 (18/3)
ITALY Banca Comm. Ital. (1972)	714.8	714.88	728.75	(c)	808.28 (28/5)	454.67 (24/1)
JAPAN** Nikkei (16/5/49)	18810.3	18778.7	18842.4	18888.8	18936.8 (6/1/87)	12881.8 (21/1)
Tokyo SE New (4/1/68)	1582.4	1582.48	1587.74	1585.62	1585.62 (6/1/87)	1025.85 (21/1)
NETHERLANDS ANP-CBS General (1970)	271.3	276.5	278.8	278.9	301.0 (5/9)	240.4 (5/5)
ANP-CBS Indust (1970)	264.8	269.2	272.1	274.6	305.9 (18/6)	224.8 (5/5)
NORWAY Oslo SE (4/1/83)	383.5	384.98	388.94	383.10	482.81 (16/1)	351.61 (4/8)
SINGAPORE Straits Times (30/12/66)	920.5	906.38	893.25	890.67	940.54 (5/11)	563.34 (25/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	2078.3	2027.8	2060.8	2078.8 (9/1/87)	1104.1 (21/4)
JSE Indust (28/9/78)	—	1454.9	1437.8	1451.8	1454.0 (6/1/87)	1019.5 (2/14)
SPAIN Madrid SE (30/12/85)	222.0	215.89	217.39	(c)	222.8 (9/1/87)	100.85 (5/1/86)
SWEDEN Jacobson & P (31/12/56)	2579.3	2421.54	2458.09	(c)	2672.78 (7/11)	1728.57 (22/1)
SWITZERLAND SwissBankCpn (31/12/58)	585.2	587.4	588.3	605.3	625.5 (8/1/86)	497.2 (4/6)
WORLD M & Capital Intl. (1/1/70)	—	368.7	368.3	368.2	369.7 (8/1/87)	248.3 (23/1)

** Saturday January 3: Japan Nikkei (c). TSE (c).
Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Centerior Eng.	5,576,700	24⅛	+ ½
Navistar	5,304,300	5⅞	+ ⅛
ICN Pharm.	3,237,600	21⅞	−4
USX	3,143,900	22⅞	+ ⅞
Amerada Hess	2,982,600	25⅞	+ ⅛
Schlumberger	2,839,500	35⅞	+1
Phillips Pet.	1,787,000	12⅛	+ ⅛
Union Carbide	1,754,700	25⅛	+ ⅛
IBM	1,726,100	122⅞	− ⅛
Louisiana Land	1,654,400	30	+ ⅛



Closing prices, January 9

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
27	17	AAR s	.44	1.5	20	445	u27¼	27	27⅛	+¼
30¼	21¾	ADT	.92	3.1		361	30	29⅝	29¾	−½
33	16¾	AFG s	.12i	.4	16	976	31⅞	31⅜	31⅝	+¼
32	16¾	AGS			21	522	31⅝	30¾	31⅜	+¼
15	6¾	AMCA				8	7⅜	7⅛	7¼	
62⅞	39¼	AMR			13	6155	56⅜	55½	56¼	+⅜
27½	23⅞	ANR pf 2.67		10.		2	26½	26½	26½	
18½	10	ARX	.72t	6.0	11	348	12	11¾	11¾	−¼
41½	28¾	ASA	2a	5.3		838	38	36¾	37⅞	+⅞
18⅜	9¾	AVX		2.6		534	12¾	12¼	12¼	−¼
32	26	AZP	2.72	8.8	9	2185	31¼	30¾	31	−⅛
55	31⅝	AbtLb s	.84	1.7	22	x4910	49½	48¾	49½	+⅛
32	25	AccoWd	.56	2.0	15	930	28¼	28¼	28	+1¼
14⅞	9	AcmeC	.40	3.5		322	11⅝	11	11⅝	+⅜
9¼	6⅛	AcmeE	.32b	4.3	19	19	7⅜	7¼	7⅜	−⅛
23⅞	17½	AdaEx	3.42e	16.		175	23⅛	20⅝	21¼	+⅝
16⅜	9¾	AdmM s				42	15⅝	15¼	15½	+¼
20⅜	12⅛	AdvSys	.62t	3.3	15	224	19	18¼	18⅞	+½
32⅞	12⅞	AMD				4390	15½	14¾	15¼	
12⅝	5¾	Adobe				78	7½	7⅜	7½	+⅛
18⅝	13¾	Adob pf 1.84		11.		87	16¾	16⅝	16¾	+⅛
20¼	16⅜	Adob pf 2.40		12.		63	19⅝	19⅜	19⅝	+⅜
18⅜	11⅛	Advest	.12a	.9	10	587	14⅛	13¾	14	+⅛
66¼	52¾	AetnLf	2.64	4.4	9	x2878	60½	59⅜	60⅜	+⅞
77¾	34⅜	AflPb s	.44	.6	39	202	u80	77¾	80	+2½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
50¾	28½	ZaleCp 1.40		2.8		2	49⅞	49⅞	49⅞	+⅛
8⅞	2¼	Zapata				775	3¾	3⅝	3¾	+¼
45⅞	20¾	Zayre s .32		1.2	19	2513	28⅞	26⅛	26⅝	+½
17	9¾	Zemex .40		3.3	19	14	12¼	12¼	12¼	−⅛
29⅞	17⅞	ZenithE				1283	24	23⅝	24	+⅛
18¼	6	ZenLb s			57	2018	9⅜	8¾	9⅛	+⅜
22⅝	12⅝	Zero s .29		1.7	17	206	18¼	16⅛	18¼	+¾
45⅜	32¾	Zurnin 1.32		3.2	16	110	40¾	40½	40⅝	
10⅝	8¼	Zweig n.10e		1.0		991	10	9¾	9⅞	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, January 9

OVER-THE-COUNTER

Nasdaq national market, Closing prices, January 9

Continued on Page 29

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

EMS turmoil diverts attention from US fundamentals

BY COLIN MILLHAM

ATTENTION TURNED away from US economic fundamentals last week as the strength of the D-mark, which has taken the West German currency to its highest levels for over six years against the dollar, left other members of the European Monetary System trailing in its wake.

The result was the weekend meeting in Brussels of the European Commission Monetary Committee. The approach of the West German Federal elections on January 25 had triggered much of the speculative pressure, in the belief that the authorities would then revalue the D-mark. Until the announcement of the Brussels meeting was made on Friday night many dealers believed a realignment of the EMS was unlikely before the German elections, for purely political reasons.

In Paris the French Government allowed the franc to trade at its floor against the D-mark, indicating that any realignment was a problem for Bonn, and leading to strained relations between the two capitals.

Last week's tension also resulted in most other members of the EMS falling sharply, and in some cases touching their lowest permitted levels against the D-mark.

West Germany's argument for not cutting interest rates, which in turn has put upward pressure on the D-mark, has been on the grounds of strong money supply growth. Last week's events will not help, as the D-marks sold by the Bundesbank have leaked back into the domestic banking system, and will almost certainly call for draining of liquidity by the authorities this week.

News that West Germany had a record trade surplus of DM 110.2bn last year, compared with the previous record of DM 73.4bn in 1985, will do nothing to ease the upward pressure on the D-mark.

Central bank intervention to ease the strains within the EMS prevented any sharp fall in the value of the dollar, but purchases of dollars by the Bundesbank failed to put any solid base under the US currency.

With the spotlight shining on Europe, the Bank of Japan took the opportunity to sell large amounts of yen for dollars, both in Tokyo and through foreign central banks. It was estimated the Japanese central bank bought $2bn in Tokyo on Friday, but will be wary of the attention this may receive in the US, giving further ammunition to the protectionist lobby in Congress.

The major economic event in the US last week was the presentation of the Reagan Administration's budget proposals to Congress, for the 1988 financial year beginning October 1 1987. The deficit of $107.8bn was just within the legal Gramm-Rudman target.

James Capel believes the Administration's view of the economy is optimistic, and expects an overshoot of at least $40bn, but praises the declining trend from a record $220.7bn in the 1986 financial year, and suggests it "will be another step on the road towards fiscal rectitude."

The foreign exchanges will remain more concerned about the US trade deficit however, following the record $19.2bn in November, and the comment by Mr James Baker, US Treasury Secretary, that the December figure will also be poor.

A fall in US unemployment to 6.7 per cent in December, from a revised 6.9 per cent in November, was unexpectedly encouraging. Forecasts were generally in the range of 6.9 to 7.0 per cent. The rise of 269,000 in non-farm employment was also better than expected, but had little impact.

There should be little in the way of economic figures to move the dollar this week. Retail sales for December will be published on Wednesday. According to a survey by Money Market Services these are forecast to rise 1.0 per cent.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	15.22	15.38	0.00	0.02
102	13.22	13.41	0.00	0.05
104	11.22	11.47	0.00	0.11
106	9.23	9.58	0.01	0.22
108	7.26	8.10	0.04	0.38
110	5.36	6.36	0.14	1.00
112	3.56	5.08	0.34	1.36
114	2.31	3.57	1.09	2.21

Estimated volume total, Calls 3,175 Puts 690
Previous day's open int, Calls 13,782 Puts 8,366

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	10.22	9.48	0.00	0.14
92	8.23	7.62	0.01	0.28
94	6.26	6.20	0.04	0.50
96	4.35	4.54	0.13	1.20
98	2.60	3.57	0.38	2.03
100	1.43	2.35	1.21	3.01
102	0.52	1.47	2.30	4.13
104	0.22	1.09	4.00	5.39

Estimated volume total, Calls 242 Puts 0
Previous day's open int, Calls 1,108 Puts 242

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Calls—Last Feb	Puts—Last Jan	Puts—Last Feb
16000	17.20	17.28	0.00	0.08
16250	14.71	14.86	0.01	0.16
16500	12.23	12.53	0.03	0.33
16750	9.80	10.31	0.10	0.61
17000	7.47	8.26	0.27	1.06
17250	5.35	6.41	0.65	1.71
17500	3.55	4.82	1.35	2.62
17750	2.16	3.49	2.46	3.79

Estimated volume total, Calls 5, Puts 11
Previous day's open int, Calls 289 Puts 87

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.0702	−0.10	+0.75	± 1.5368
Danish Krone	7.81701	7.83125	+0.18	+1.03	± 1.6403
German D-Mark	2.11083	2.06772	−2.04	−1.19	± 1.1127
French Franc	6.87316	6.88574	+0.18	+1.03	± 1.3659
Dutch Guilder	2.37833	2.33364	−1.88	−1.03	± 1.5059
Irish Punt	0.764976	0.766356	+0.18	+1.03	± 1.6683
Italian Lira	1476.95	1464.32	−0.86	−0.63	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 9	Close	Previous Close
£ Spot	1.4770-1.4780	1.4775-1.4785
1 month	0.62-0.61 pm	0.60-0.59 pm
3 months	1.76-1.74 pm	1.78-1.75 pm
12 months	6.40-6.30 pm	6.42-6.32 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Jan. 9	Previous
8.30	am	68.9	68.7
9.00	am	68.9	68.8
10.00	am	68.8	68.8
11.00	am	68.8	68.8
Noon		68.9	68.8
1.00	pm	68.9	68.9
2.00	pm	68.8	68.9
3.00	pm	68.8	68.8
4.00	pm	68.8	68.8

EXCHANGE CROSS RATES

Jan. 9	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.478	2.833	233.6	9.453	2.370	3.200	2009.	2.022	59.05
$	0.677	1	1.918	158.1	6.398	1.605	2.166	1360.	1.368	39.95
DM	0.353	0.522	1	82.47	3.337	0.837	1.130	709.1	0.714	20.85
YEN	4.281	6.325	12.13	1000.	40.46	10.15	13.70	8598.	8.654	252.8
F Fr.	1.058	1.563	2.997	247.1	10.	2.507	3.385	2125.	2.139	62.47
S Fr.	0.422	0.623	1.195	98.57	3.968	1.	1.350	847.5	0.853	24.92
H FL	0.313	0.462	0.885	73.00	2.954	0.741	1.	627.7	0.632	18.45
Lira	0.498	0.736	1.410	116.3	4.706	1.180	1.593	1000.	1.006	29.40
C $	0.495	0.731	1.401	115.6	4.676	1.172	1.583	993.6	1.	29.21
B Fr.	1.693	2.502	4.797	395.6	16.01	4.014	5.419	3401.	3.423	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

CURRENCY MOVEMENTS

January 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.8	−24.8
U.S. Dollar	107.9	+0.4
Canadian Dollar	77.3	−12.1
Austrian Schilling	136.2	+10.0
Belgian Franc	98.9	−4.8
Danish Krone	91.9	+3.4
Deutsche Mark	145.9	+21.6
Swiss Franc	169.3	+21.5
Guilder	133.4	+14.3
French Franc	71.1	−13.0
Lira	48.0	−16.6
Yen	207.5	+54.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

Jan. 9	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞-11	10$\frac{15}{16}$-11$\frac{1}{16}$	11$\frac{1}{16}$-11$\frac{3}{16}$	11-11⅛	10⅞-11	10⅞-11
U.S. Dollar	6-6⅛	6-6⅛	6-6⅛	6-6⅛	5$\frac{15}{16}$-6$\frac{1}{16}$	6-6⅛
Can. Dollar	7⅞-8⅛	7⅞-8⅛	7$\frac{13}{16}$-8$\frac{1}{16}$	7⅞-8⅛	7⅞-8⅛	8$\frac{1}{16}$-8$\frac{5}{16}$
D. Guilder	5¾-6	5¾-6	5$\frac{13}{16}$-6$\frac{1}{16}$	5¾-5⅞	5$\frac{11}{16}$-5$\frac{13}{16}$	5$\frac{11}{16}$-5$\frac{13}{16}$
Sw. Franc	2-2½	1⅞-2⅛	3¼-3⅜	3⅝-3¾	3¼-3⅜	3¼-3⅜
Deutschmark	4⅛-4½	4½-4⅝	4⅜-4$\frac{11}{16}$	4⅜-4$\frac{11}{16}$	4-4	4⅝-4⅞
Fr. Franc	8½-9½	9½-10½	10¼-11¼	9⅞-10¼	8⅞-9⅛	8½-9
Italian Lire	15-20	14-21	14½-16½	12½-13¼	11⅛-11⅞	10¼-11⅛
B. Fr. (Fin.)	8⅜-8⅞	8⅜-8⅝	8-8¼	7⅞-8⅛	7¾-8	7¾-8
B. Fr. (Con.)	10-12	12-15	10-11	8¼-9½	8¼-8¾	7⅞-8¼
Yen	4⅜-4⅞	4⅜-4⅜	4⅜-4⅞	4⅜-4⅞	4⅜-4⅞	4⅜-4⅞
D. Krone	15½-16½	15½-16½	15½-16½	13-13½	11⅛-11¾	10¼-11¼
Asian $ (Sing.)	3¼-3½	—	3½-3⅝	3⅜-3½	3½-3⅝	3⅝-3⅞

Long-term Eurodollars: Two years 6¼-6½ per cent; three years 6¾-7 per cent; four years 7¼-7½ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY RATES

Jan. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.832550	0.730012
U.S. Dollar	5.5	1.22926	1.07750
Canadian $	8.49	*	1.47563
Austrian Sch.	4	16.6405	14.5624
Belgian Franc	8½	49.1243	43.0702
Danish Krone	7	8.95086	7.83125
Deutsche Mark	3½	2.35883	2.06772
Neth. Guilder	4½	2.66012	2.33364
French Franc	9½	7.85315	6.88574
Italian Lira	12	N/A	1464.32
Japanese Yen	3.0	193.795	170.568
Norway Krone	8	9.05043	7.92768
Spanish Peseta	—	162.201	142.068
Swedish Krona	7½	N/A	7.28550
Swiss Franc	4	1.97788	1.73315
Greek Drach.	20½	169.576(1)	148.888

*CS/SDR rate for Jan. 8: 1.67983

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4700-1.4780	1.4770-1.4780	0.63-0.60c pm	4.99	1.77-1.72 pm	4.72
Canada	2.0186-2.0263	2.0210-2.0220	0.54-0.45c pm	2.94	1.48-1.33 pm	2.78
Netherlands	3.19-3.20½	3.19½-3.20½	1½-1¼c pm	5.16	4⅛-3⅞ pm	5.00
Portugal	145¼-146½	145¾-146¼	135-165c dis	−12.34	330-390 dis	−9.87
Spain	131.65-132.40	131.85-131.95	90-110c dis	−9.09	225-265 dis	−7.42
Italy	1354½-1370	1359¼-1359¾	10-15 lire dis	−11.01	22-27 dis	−7.20
Norway	7.34¾-7.38	7.35-7.35½	6.50-7.30ore dis	−11.25	20.30-21.10dis	−11.25
France	6.37½-6.41¾	6.39½-6.40	2.75-3.25c dis	−5.63	6.00-6.75 dis	3.98
Sweden	6.75-6.78¾	6.75-6.75½	1.90-2.40 ore dis	3.82	6.05-6.65 dis	−3.76
Japan	157.85-158.45	158.05-158.15	0.28-0.23y pm	1.93	0.70-0.65 pm	1.71
Austria	13.50¼-13.57	13.55½-13.56	0.5 pm-0.3gro pm	0.18	1.50 par pm	0.22
Switzerland	1.6020-1.6190	1.6040-1.6050	0.38-0.34c pm	2.68	0.95-0.90 pm	2.30

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.50-40.60.

OTHER CURRENCIES

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4775	1.4714	1.4601	1.4439	1.4140
D-mark	2.8325	2.8171	2.7895	2.7069	2.5497
French Fr.	9.4525	9.4519	9.4285	9.3829	9.2797
Swiss Fr.	2.3700	2.3549	2.3285	2.2912	2.2194
Yen	233.50	232.16	229.75	226.31	219.71

LONDON

CHICAGO

CURRENCY FUTURES

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Mar.	1.4630	—	—	1.4593
June	1.4463	—	—	1.4423
Sept.	1.4310	—	—	1.4265

Estimated volume 10 (10)
Previous day's open int. 990 (985)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
March	89.34	89.37	89.30	89.31
June	89.63	89.65	89.58	89.60
Sept.	89.75	89.77	89.73	89.71
Dec.	89.70	89.70	89.67	89.64
March	89.50	89.45	89.45	89.44
June	89.24	89.24	89.24	89.21

Estimated Volume 5282 (4171)
Previous day's open int. 13567 (13267)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
March	100-11	101-05	100-06	101-05
June	99-17	100-02	100-02	100-11

Estimated Volume 6,218 (4,820)
Previous day's open int. 3,197 (3,275)

MONEY MARKETS

London's advantage is eroded

EXPECTATIONS on UK inflation are tending to rise, at least in the short term, but this has not been translated into any upward pressure on London interest rates. London's advantage on interest rates, when compared with other European centres, was also eroded last week by the strains within the European Monetary System. As rates in several centres rose London rates showed little change.

UK clearing bank base lending rate 11 per cent since October 15

County NatWest is disappointed that sterling has not reacted more favourably to the rise of 25 per cent in oil prices since November. The bank says the pound's rise is not sufficient to offset the inflation impact of higher oil prices. Present gilt prices have overreached themselves according to County NatWest, and James Capel agrees that the market is vulnerable at current levels.

The retail prices index for December will be published on Friday. County NatWest expects year-on-year inflation to rise to 3.8 per cent, from 3.5 per cent in November. James Capel has forecast a figure of 3.7 per cent.

The Labour Party intends to make unemployment a major issue if there is a general election this year, but economic forecasters generally expect reasonably good news for the Government on this front on Thursday. According to Money Market Services a seasonally adjusted fall of 15,000 was the median figure amount those forecasters surveyed. James Capel predicts the fall will be 20,000, and County NatWest suggests 24,000.

In a possible election year the unemployment figures may begin to have a greater impact on the financial markets than is usual.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 9) 3 months U.S. dollars		6 months U.S. dollars	
bid 6	Offer 6⅛	bid 5$\frac{15}{16}$	Offer 6$\frac{1}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

Prime rate	7½
Broker loan rate	7¼
Fed. funds	6$\frac{1}{16}$
Fed. funds at intervention	5⅞

Treasury Bills and Bonds			
One month	4.50	Three year	6.31
Two month	5.43	Four year	6.51
Three month	5.52	Five year	6.59
Six month	5.67	Seven year	6.86
One year	5.74	10 year	7.01
Two year	6.15	30 year	7.28

Jan. 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.35-4.45	4.65-4.80	4.55-4.70	4.60-4.75	4.65-4.80	5.5

LONDON MONEY RATES